STOCK CODE 00330

ANNUAL REPORT

ESPRIT HOLDINGS LIMITED
YEAR ENDED 30 JUNE 2014

Annual Report FY 13/14

Esprit Holdings Limited

Corporate information

Chairman
· Raymond OR Ching Fai
  Independent Non-executive Director

Deputy Chairman
· Paul CHENG Ming Fun
  Independent Non-executive Director

Executive Directors
· Jose Manuel MARTINEZ GUTIERREZ
  Group CEO
· Thomas TANG Wing Yung
  Group CFO

Non-executive Director
· Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors
· Alexander Reid HAMILTON
· Carmelo LEE Ka Sze
  (appointed with effect from 25 July 2013)
· Norbert Adolf PLATT
· Eva CHENG LI Kam Fun
  (resigned with effect from 30 June 2014)

Company Secretary
· Florence NG Wai Yin

Principal bankers
· The Hongkong and Shanghai Banking Corporation Limited
· Deutsche Bank AG
· The Bank of East Asia
· BNP Paribas
· Hang Seng Bank Limited
· Industrial and Commercial Bank of China
· ANZ Bank
· China Merchants Bank
· Mizuho Bank, Ltd

Auditor
· PricewaterhouseCoopers
  Certified Public Accountants

Principal legal advisor
· Baker & McKenzie
· Freshfields Bruckhaus Deringer

Share listing
Esprit's shares are listed on The Stock Exchange of Hong Kong Limited (SEHK). The Company has a Level 1 sponsored American Depositary Receipts (ADR) Program.

Stock code
· SEHK : 00330
· ADR : ESPGY

Principal share registrar
MUFG Fund Services (Bermuda) Limited
(formerly known as "Butterfield Fulcrum Group (Bermuda) Limited")
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong headquarters
43/F Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Kowloon, Hong Kong
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f + 852 2362 5576

Global business headquarters
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Corporate profile

Founded in 1968, Esprit is an international fashion brand that pays homage to its roots and expresses a relaxed, sunny Californian attitude towards life. Esprit creates inspiring collections for women, men and kids made from high-quality materials paying great attention to detail. All of Esprit's products demonstrate the Group's commitment to quality design and execution.

Esprit's collections are available in over 40 countries worldwide, in over 900 self-operated retail stores and through over 8,100 wholesale points of sales including franchise partners, and controlled wholesale space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on The Stock Exchange of Hong Kong Limited since 1993, Esprit has headquarters in Germany and Hong Kong.


Ella Woodward
SEE HER STORY AT ESPRIT.COM

Content

01
TO OUR SHAREHOLDERS

Raymond OR CHING FAI

"FY13/14 has been a year of good progress for Esprit as we successfully stabilize our business and return to profitability."

01.1 Letter from Chairman

Dear Shareholders,

Esprit's strategic plan for turnaround is articulated along three distinctive phases: Stabilization, Transformation and Growth.

The financial year ended 30 June 2014 ("FY13/14") has been a year of good progress for Esprit as we successfully completed the first phase of our turnaround strategy to stabilize our business and return to profitability. Meanwhile, as of July 2014, we fully embarked on our second phase of Transformation with the activation of our new vertically integrated business model which is a major step towards recovering Esprit's competitiveness. While the positive results of the new processes we are implementing will take some time to be fully reflected in our financial results, we remain confident that we are on the right track to transforming our business in the necessary way to position the Group for the third phase of our turnaround strategy to pursue long-term sustainable growth.

FY13/14 generally saw improving consumer confidence in some regions around the world, although overall market conditions remained challenging. Parts of Europe, the Group's largest market, showed steady economic improvement, while in Asia, various geo-political events in some markets, along with a slowdown in China's economy, have broadly impacted consumer spending in the region.

Despite this mixed and challenging environment, the Group achieved an important operational target by achieving a positive EBIT of HK$361 million (as opposed to an EBIT loss of HK$4,170 million last year) and a net profit of HK$210 million (2013: net loss of HK$4,388 million). This improvement in profitability was primarily the result of our targeted cost reduction initiatives which have reduced our cost base significantly and which will provide a leaner platform that we can leverage in the future as we complete our transformation phase and embark on our strategy for growth.

The Group reported a decline in turnover of -9.9% in local currency for FY13/14, which was within our expectations and largely in line with the -10.7% reduction in selling space that resulted from the closures of unprofitable retail stores and the rationalization of our wholesale customer base. In Europe, our business continued to stabilize with rates of turnover decline in local currency that were lower than the corresponding decline in net sales area. In Asia Pacific, soft consumer spending impacted turnover, with performance in China particularly lagging due to necessary initiatives that we implemented during the year to strengthen our distribution network ahead of the expansion strategy that we intend to implement in that market in the coming years.

Meanwhile, the Group's balance sheet continued to strengthen as we generated net cash from operating activities of HK$1,418 million (2013: net cash outflow of HK$757 million), which increased the Group's net cash position to approximately HK$5.77 billion (30 June 2013: HK$4.65 billion) as at 30 June 2014, the highest level since the end of FY07/08.

In view of the Group's positive EBIT and strong net cash position, the Board has recommended a final dividend of HK$0.04 per share (2013: nil per share). Aggregating the interim dividend of HK$0.03 per share paid (2013: nil per share), the total regular dividend per share for the year is HK$0.07. This represents 64.8% of the basic earnings per share of HK$0.11, in line with the dividend payout policy of 60% of the basic earnings per share.

During the year, the Board continued to devote much of its time to working with Esprit's executive management team to monitor the progress of the strategic initiatives that we believe will successfully turn around the Group's business performance. I am impressed with the extraordinary passion and commitment demonstrated by our management team, as well as with the hard work and dedication of all of our employees around the world. I believe that it is the efforts of our Esprit team that will be the true driving force behind our successful transformation, and I would like to thank our colleagues for their valued contribution, which has made a considerable positive impact on various fronts across our entire operations. We intend to build on this momentum to deliver further positive results so that the benefits of the changes that we are implementing become increasingly visible for all of our stakeholders.

I would also like to thank our shareholders for their support along our Transformation journey. In FY13/14, the Board endeavoured to further enhance the Group's transparency by encouraging and supporting management's efforts to engage more closely with our shareholders through ongoing and proactive communications. Our Investor Relations Day, with updates on the Group's progress, has always been well-received. As a complement to this, from September this year we will be holding our first ever Analysts Day, which is intended to be another annual feature of our IR calendar.

Last but not least, on behalf of the Board, I would like to express our sincere gratitude to Mrs. Eva Cheng, who stepped down from the Board on 30 June 2014, for her valuable service to Esprit.

In the coming financial year, Esprit will continue its process of Transformation under the new, vertically integrated, business model. It is clear that the final stages of recovery will take time and that our initiatives to turn around the business may not have a visible impact on our top line performance for another year. However, equally clear is that Esprit is a company with immense potential. We have a powerful brand with a proven track record, backed by an extensive global distribution network and a team that is determined to succeed in reviving the Group's competitiveness. Importantly, the Group addresses its ambitious plans from the sound platform provided by a strong balance sheet. Although the operating environment remains challenging, as does the road to Esprit's recovery, I am confident that we have the appropriate elements in place from which to build an outstanding business model for future growth.

Raymond OR Ching Fai//Independent Non-executive Chairman
23 September 2014

Jose Manuel MARTINEZ GUTIERREZ

"With the progress made, our business is in a much stronger position today to face the most challenging phase of our Transformation"

01.2 Letter from Group CEO

Dear Shareholders,

The strategic objectives of Esprit for the financial year ended 30 June 2014 (FY13/14) were, first and foremost, to stabilize our business performance in order to establish a healthy financial and operational platform for the future and, in parallel, prepare the organization to carry out the structural changes that we need to regain strong competitiveness in the market.

Regarding these goals, after what has been a year of collective hard work and focused execution, I am pleased to report two major achievements that are instrumental for our turnaround strategy:

√ The return to profitability in FY13/14
√ The implementation of a more vertically integrated business model since July 2014

Having reached these two important milestones, together with the good progress made in all other elements of our Transformation plan, we are closer to our ultimate objective of restoring Esprit back to its full potential.

Returning to Profitability and Stabilizing the Business

For FY13/14, Esprit returned to profitability with a positive EBIT of HK$361 million (2013: LBIT of HK$4,170 million), with net profit of HK$210 million (2013: net loss of HK$4,388 million).

While we expected top line to decline in FY13/14 due to the necessary reduction of selling space, our main focus remained on stabilizing performance with respect to fundamental business levers. More specifically, the improvement in our bottom line results was due to efforts in the following areas:

Stabilizing sales productivity of controlled space (sales per sqm) – Following our strategic decision to close unprofitable retail stores that are unlikely to see turnaround and to rationalize our wholesale customer base, the Group's controlled space (retail and wholesale combined) reduced year-on-year by -10.7%. As a consequence, the Group's turnover saw a decline of -9.9% in local currency to HK$24,227 million (2013: HK$25,902 million). Due to favorable currency impact, turnover decline in Hong Kong dollar terms narrowed to -6.5%.

This development of the top line in close association with the controlled space is largely the result of having leveled up sales productivity of the selling space in our core markets. Esprit's operations in Europe, our largest region, recorded a turnover decline of -7.0% in local currency, lower than the corresponding decline in controlled space of -8.4%.

In contrast, our business in Asia Pacific continued to be under pressure and recorded a turnover decline of -21.9% in local currency, with a corresponding decline in controlled space of -19.1%. China in particular had the biggest impact on the region's performance because, in addition to the closure of unprofitable retail stores and the reduction of wholesale space, our performance was dragged down by the special return agreements that were necessary to resolve long time problems with aged inventories in the wholesale channel. This special return initiative is now completed with the last return taken place in July 2014.

Under the leadership of the new management team in China, we are focusing our efforts on improving product performance in the country and developing a stronger distribution network through better operated retail stores, strategic wholesale partnerships in each region and a strengthened local e-commerce platform. Success along these pillars should trigger a more sustainable expansion plan for China in coming financial years.

Stabilizing gross profit margin amidst continued improvements in product quality – We have been able to offset our continued "investments" in improving product quality with savings achieved along our supply chain management, resulting in a stable gross profit margin in FY13/14. The improvement in overall gross profit margin (2014: 50.2%; 2013: 49.6%) was mainly attributable to fewer markdowns as a result of improved inventory management, as well as a larger share of retail turnover to Group turnover (2014: 62.8%; 2013: 60.4%).

Returning our cost base to a healthy level – As a result of an ambitious cost reduction program launched in 2013, we achieved savings in operating expenses ("OPEX") of HK$5,212 million, representing a year-on-year reduction of -32.9% in local currency. This reduction in operating expenses brings the OPEX-to-sales ratio down to 48.7%, which is in line with our guidance of below 50%.

As we had significant non-recurring cost items in our previous financial year, FY12/13 (i.e. impairments and provisions on China goodwill, store closures and onerous leases, totaling HK$2,494 million), it is important to assess the actual year-on-year improvement in OPEX excluding such items. With the exclusion of the non-recurring OPEX in FY12/13, OPEX in FY13/14 declined by HK$2,718 million, representing a year-on-year reduction of -21.4% in local currency, with savings achieved across all expense lines. We aim to leverage the reduced cost base to significantly improve the Group's EBIT margin once we grow our top line.

Cleaning up and controlling inventory at a normalized level – By implementing bold measures to reduce aged inventories, as well as by tightly controlling the season's inventory in line with sales levels, the Group successfully reduced finished goods units by -17.0% year-on-year. As a consequence, inventory turnover days declined to 90 days from 100 days a year ago, establishing a healthier level from which to drive sales and protect gross profit margin in the near future.

Returning to positive cash generation – After two consecutive years of net cash consumption (FY12/13: HK$1,594 million; FY11/12: HK$899 million excluding net proceeds from rights issue and dividend payment of respective financial years), we turned cash consumption into cash generation by reducing OPEX, improving working capital management (i.e. reducing inventory units and net trade debtors) and moderately deploying capital expenditure ("CAPEX").

As a result, we were able to consistently generate positive cashflow throughout the entire financial year. During FY13/14, net cash generated from operating activities amounted to HK$1,418 million as compared to a net cash outflow from operating activities of HK$757 million a year ago. This positive cash generation from the operation, together with selective investments in CAPEX, resulted in an overall increase of HK$1,120 million in the Group's net cash position to HK$5,771 million (30 June 2013: HK$4,651 million).

While we will stay vigilant in maintaining a healthy cost base, managing inventory levels and preserving cash, we consider the initial "Stabilization" phase completed and will strengthen our focus on the Company's "Transformation" going forward.

Implementing a Vertically Integrated Business Model

As explained one year ago, we are convinced that delivering outstanding value for money products to the market is the only possible way for Esprit to recover its competitiveness. Consequently, the most important and fundamental elements of our transformation aim at significantly improving our products by implementing faster and more cost efficient product development and supply chain processes, which we refer to as a "high performance product engine" ("the New Engine").

The intended speed and efficiency of the New Engine are made possible through a more vertically integrated management of our whole business model, from product design down to store operations, where information, decisions and actions flow rapidly across the key functions of the business.

After twelve months of team work and intense training on the new processes, the New Engine has been activated, effective July 2014, earmarking a major milestone of our strategy. The implementation was executed according to our expectations and, whilst initial findings from the first execution suggest that some areas need fine-tuning, this is normal in the implementation of such big changes and we are truly satisfied with the initial results.

The New Engine requires new ways of working in multiple areas, from which I would highlight the following:

Lean supply chain management – New and improved product development processes have been introduced to reduce complexity, lead time and resources. This is also complemented with a streamlined suppliers portfolio to focus on those who bring higher value to our business in terms of quality, cost and performance.

Category management teams – All internal functions involved in product management (development, supply chain and merchandising) have been integrated into teams that concentrate on specific product categories to maximize know-how and synergies.

New merchandising model – We have centralized our merchandise management teams so that they can work seamlessly together with our category management teams. This way, local assortment needs are considered during the product creation phase and merchandising decisions are made faster, which reduces our reaction time to changes and opportunities in specific stores and countries.

Reduction in product range – In order to eliminate long tails of underperforming products, our product range will be strictly defined to fit our selling space and the sales potential of our stores. This will effectively result in a significant reduction of the number of styles that we develop, which is a key prerequisite to increase efficiencies in our buying and sourcing.

Seasonal product calendar – We have stepped away from the twelve monthly collections flow per year to work on just four seasonal and two cruise collections, thereby radically simplifying our product development, production and distribution. This change is instrumental for our intended business model to succeed but arguably one of our riskiest moves as it requires considerable adaptations to the way we work across the whole organization and, more importantly, with our wholesale partners.

Fast-to-market product development – The capability to react to sales within a given season is crucial to maximize sales potential in apparel. The Trend Division was developing the solutions to count on such fast reaction product in Esprit and we have now begun to apply the lessons learned to other core product divisions.

Stock management optimization – We are introducing processes and tools that permit to delay stock allocation decisions as much as possible so that maximum information is available and the sales potential of our merchandise is optimized.

New pricing model – We are moving towards a market based pricing model with a focus on more competitive prices and on net realized gross profit margins. Previous pricing tests reflected the high potential of the Esprit brand when our products are optimized from a price-value perspective.

While there is still a lot of work in progress, all of the above are solutions in place since July 2014. Very importantly, this new model has been implemented in a way that can perfectly serve both our retail and wholesale channels.

Making Progress in all Fronts of the Transformation

Undoubtedly, the changes related to the enhancement of our products are the cornerstone of our strategy. Nonetheless, our Transformation has a broader scope and we also made good progress in the most relevant aspects during FY13/14.

Brand: Building on our "Esprit Heritage" – Esprit's heritage is about embracing fashion and style in a casual, relaxed and natural way, while always maintaining high quality standards in our products. As a brand, Esprit has always stood for a free-spirited, friendly, accessible and positive attitude that makes us different from other fashion brands. We thus have continued to develop a brand communication code that strongly and consistently conveys this genuine Esprit personality.

As we move forward, all consumer touch points, such as stores, window displays, e-commerce platforms and marketing programs will be showcasing more ambitious executions of this renewed brand code. We are confident that sticking to our original values and image is what brings us closer to our very loyal consumers.

Stores: Making our new store concept more commercial – We have continued to work on the commercial aspects of our Lighthouse store concept by incorporating a combination of architectural design, space management and visual merchandising enhancements. This revision of the store concept has been made with a focus on sales performance articulated around three salient principles: greater product visibility, ease of shopping experience and ease of store operation. Customers have responded positively to the revised concept and, once the new elements are introduced, our refurbished stores perform better than our older formats in terms of sales and profitability. With this encouragement, we will continue our efforts to roll out the Lighthouse concept throughout our store network.

Growth: Developing an omni-channel model for long term growth – As outlined in my last letter to shareholders, our long term growth plans depend on the success of the initiatives in our transformation. As we begin to see a sound and sustainable improvement in the performance of our products and stores, we will fuel growth with more intensive marketing efforts as well as organic expansion in those markets where the brand is already relevant, while distribution is still limited.

In FY13/14, our teams worked intensely in the development of an omni-channel model that shall become the basis for such expansion strategy in the near future. We have the opportunity to make our well established e-commerce model the center of a model that allows consumers to better interact with our brand across all its sales channels (off- and on-line). This integral approach has so far proven to be the most effective for Esprit to drive consumers' satisfaction, loyalty and value.

Looking ahead

With the finalization of the "Stabilization" phase in FY13/14, we have entered the most challenging phase of our strategic plan: the effective "Transformation" of the Company that began with the new financial year.

I am sure that we have initiated this ambitious process from a very strong footing. The sound financial position of the Group, the healthier cost base achieved in the past year, the more stable operation, the quality of the preparation for the implementation of the main changes and, most importantly, the extraordinary team that runs our business daily, make me confident that we will successfully introduce this year the new business model that will enable the turnaround of Esprit.

Looking ahead to FY14/15, we expect to stabilize the controlled space development in our retail channel, while reducing the rate of decline of controlled space in our wholesale channel. In terms of stores' space productivity (sales per sqm), we aim to maintain it at a stable level during the Transformation phase. As a consequence, the Group's top line is expected to decline in accordance with the decline in controlled space. Nonetheless, volatility is expected during the year due to multiple changes in the Transformation phase.

Gross profit margin is expected to increase slightly as the Group will actively protect the profitability of its product lines by continually implementing improvements in our supply chain management.

While it will likely be necessary to increase spending in certain areas in order to secure the successful implementation of the changes associated with the Company's Transformation (e.g. IT), we aim to maintain total OPEX at a similar level to last year. In the longer run, the healthier cost base achieved in the past year will enable us to generate further leverage when the top line recovers.

Investment in capital expenditure will remain selective but will increase compared to last year as we accelerate our store refurbishing plans.

In closing, I would like to thank the Board of Directors, the executive management team and employees across the Group for their tireless dedication and hard work, without which we could not have achieved the encouraging results of the past year. Thanks, too, go to our shareholders – your patience and continued support has been truly appreciated. While there is still much to do, in a market environment that we expect will remain challenging, we have every reason to feel positive about our prospects. I look forward to sharing with you our further progress in the year ahead.

José Manuel

Jose Manuel MARTINEZ GUTIERREZ//Executive Director and Group CEO
23 September 2014


SEE HER STORY AT ESPRIT.COM

02

FINANCIAL HIGHLIGHTS IN FY13/14

02 Financial Highlights in FY13/14

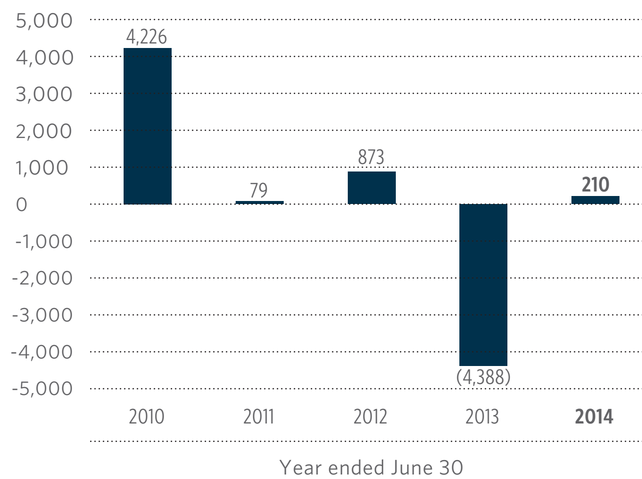
Short term stabilization completed in line with guidance

- **Returned to profitability** with positive EBIT of HK$361 million (2013: EBIT loss of HK$4,170 million) and net profit of HK$210 million (2013: net loss of HK$4,388 million) on the basis of improved performance in key business levers
- **Strategic downsizing on track,** turnover decline of -6.5% in Hong Kong dollar terms and -9.9% in local currency, in line with reduction of controlled space of -10.7% (retail and wholesale combined)
- **Stabilized sales per sqm in Europe (84.2% of Group turnover),** our largest region, where turnover decline excluding store closures and stores with onerous leases was -1.8% in Hong Kong dollar terms and -6.3% in local currency, lower than the corresponding decline in controlled space of -7.9%
- **Stabilized gross profit margin** amidst continued efforts to enhance product quality, with a slight improvement in gross profit margin of +0.6% point to 50.2%
- **Returned cost base to a healthy level** bringing OPEX-to-sales ratio down to 48.7% (2013: 65.7%), in line with our guidance of below 50%, after a year-on-year reduction of -32.9% in local currency
- **Returned to positive cash generation,** with net cash balance increasing by HK$1,120 million as compared to a year ago, to HK$5,771 million
- **Proposed final dividend of HK4 cents per share** with scrip alternative

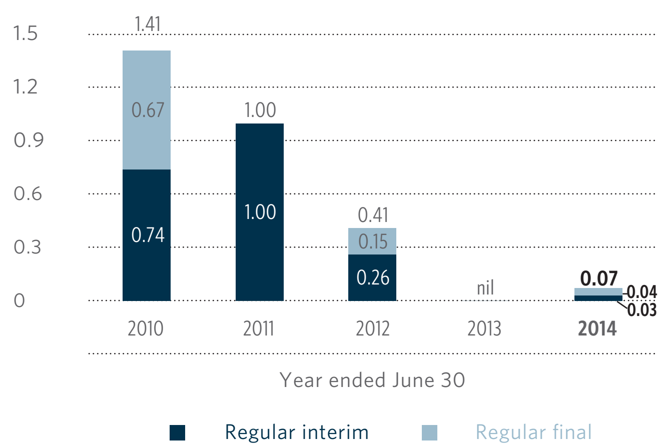
Medium term Transformation is on track

- **Created a more vertically integrated business model, implemented in July 2014,** in line with the timing of the strategic plan, that allows to serve both retail and wholesale channels with a much enhanced ability to produce outstanding value for money products for our consumers and partners

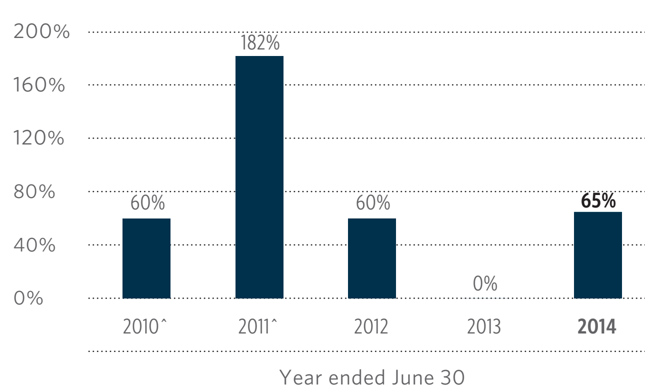
Profit/(loss) attributable to shareholders (HK$ million)



Dividend payment history (HK$ per share)



Dividend payout ratio (% of Basic EPS)



^ Dividend payout ratios for the years ended 30 June 2011 and 2010 were calculated based on adjusted EPS

Turnover

Group Turnover (HK$ million)
24,227
▼ 6.5% in HKD terms
▼ 9.9% in LCY

Retail Turnover (HK$ million)
15,220
▼ 2.8% in HKD terms
▼ 6.0% in LCY

Wholesale Turnover (HK$ million)
8,835
▼ 12.2% in HKD terms
▼ 16.1% in LCY

Total Controlled Space (Sqm) (Retail & Wholesale combined)
818,503
▼ 10.7%

Retail Controlled Space (Sqm)
330,233
▼ 5.7%

Wholesale Controlled Space (Sqm)
488,270
▼ 13.8%

Gross Profit (HK$ million)

12,156
▼ 5.3% in HKD terms

Gross Profit Margin (%)
50.2%
▲ 0.6% pt in HKD terms

EBIT (HK$ million)

361
(2013: LBIT of HK$4,170 million)

EBIT/(LBIT) Margin (%)
1.5%
(2013: -16.1%)

Net Profit (HK$ million)

210
(2013: net loss of HK$4,388 million)

Net Profit/(Loss) Margin (%)
0.9%
(2013: -16.9%)

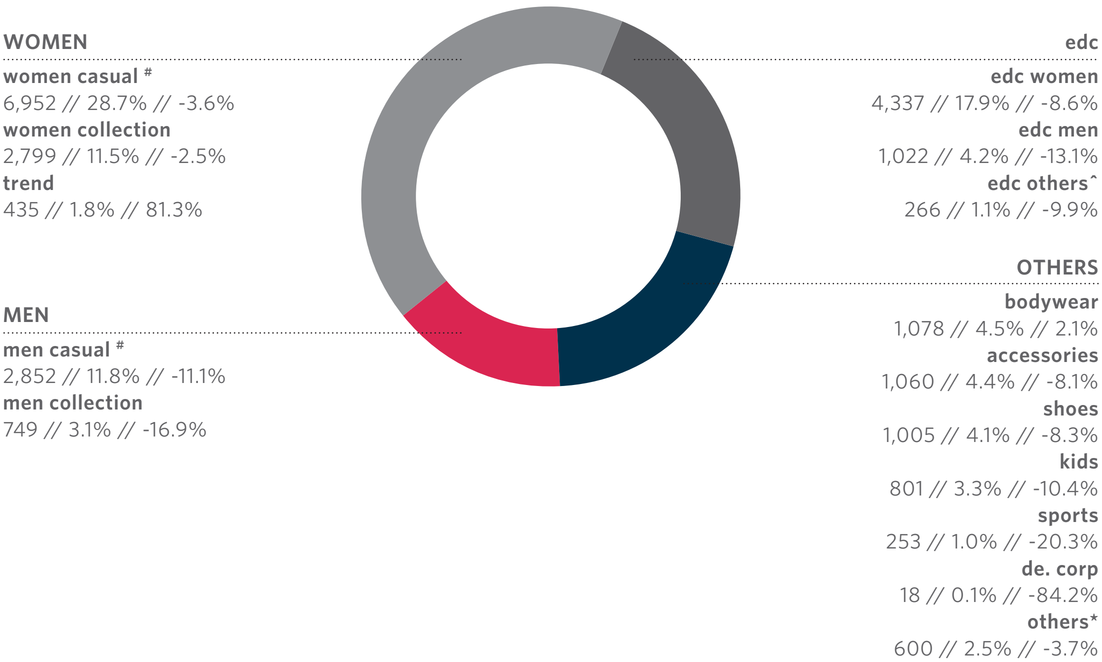
Basic Earning Per Share (HK$)
0.11

Dividend Per Share (HK$) & Payout Ratio*
0.07 (64.8% of Basic EPS)

▲/▼ year-on-year change
* Calculated by dividing dividend per share by basic EPS

Turnover by product division

HK$ million // % of Group turnover // % HK$ growth



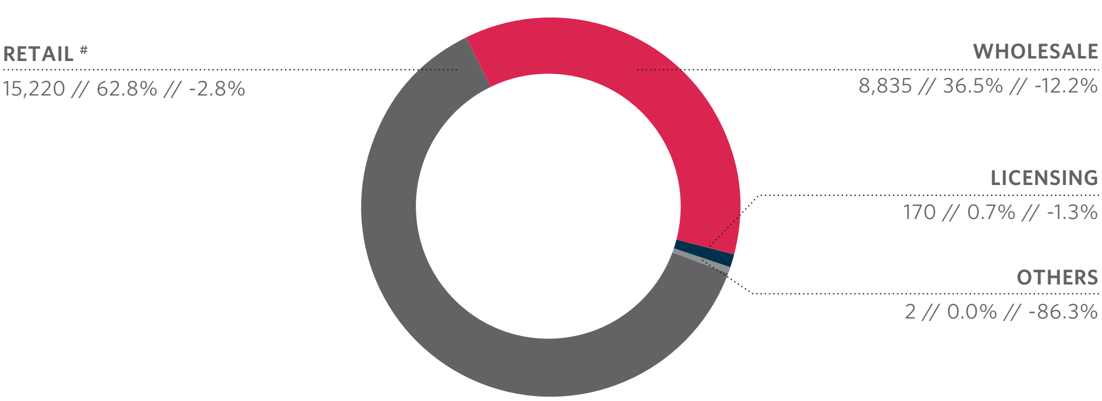
Turnover of denim has been re-grouped into women casual and men casual in FY13/14 and FY12/13

^ edc others include edc shoes, edc accessories and edc bodywear

* Others include mainly licensing income & licensed products like timewear, eyewear, jewelery, bed & bath, houseware, etc.

Turnover by distribution channel

HK$ million // % of Group turnover // % HK$ growth



Retail sales include sales from e-shops in countries where available.

Turnover by country

HK$ million // % to Group turnover // % HK$ growth

NORTH AMERICA

United States *
140 // 0.6% // -2.2%

EUROPE

Germany *
11,342 // 46.8% // 0.6%
Benelux *
3,084 // 12.7% // -4.7%
France
1,583 // 6.5% // -2.2%
Switzerland
1,158 // 4.8% // 0.8%
Austria
1,127 // 4.7% // -4.0%
Scandinavia
910 // 3.8% // -17.8%
United Kingdom
287 // 1.2% // -6.6%
Spain
229 // 1.0% // 5.2%
Italy
149 // 0.6% // 12.8%
Portugal
10 // 0.0% // -20.9%
Ireland
9 // 0.0% // -57.0%
Others ##
505 // 2.1% // -26.2%

ASIA PACIFIC

China **
1,764 // 7.3% // -26.9%
Australia and New Zealand
466 // 1.9% // -32.3%
Hong Kong
401 // 1.7% // -12.0%
Singapore
348 // 1.4% // -17.3%
Malaysia
251 // 1.0% // -11.9%
Taiwan
201 // 0.8% // -13.6%
Macau
123 // 0.5% // 4.9%
Others @
140 // 0.6% // -10.4%

Country as a whole includes retail, wholesale and licensing operations
For the year ended 30 June 2014, wholesale sales to other European countries mainly Russia, Poland and Bulgaria have been re-grouped from Germany to others under Europe. In addition, wholesale sales to Chile, Colombia and the Middle East have also been re-grouped from Macau to others under Europe. Comparative figures have been restated accordingly
@ For the year ended 30 June 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to others under Asia Pacific. Comparative figures have been restated accordingly
* Includes licensing
** Includes salon

Breakdown of group turnover

	For the year ended 30 June				
	2014	2013	2012	2011	2010
Operation mix (%)					
Retail	**63**	60	59	56	53
Wholesale	**36**	39	40	43	46
Licensing and others	**1**	1	1	1	1
Geographical mix (%)					
Europe	**84**	79	79	79	83
Asia Pacific	**15**	20	18	17	14
North America and others	**1**	1	3	4	3
Product mix (%)					
women casual^	**29**	28	29	33	34
men casual^	**12**	12	13	12	13
edc women	**18**	18	18	18	18
edc men	**4**	5	4	4	4
women collection	**11**	11	10	8	7
men collection	**3**	4	3	3	2
accessories#	**5**	5	5	5	5
kids#	**3**	3	4	4	5
shoes#	**4**	4	4	4	3
bodywear#	**5**	5	4	4	3
trend	**2**	1	n.a.	n.a.	n.a.
sports	**1**	1	1	2	2
de. corp	**0**	0	2	1	1
others*	**3**	3	3	2	3

* Others include mainly salon, licensing income & licensed products like timewear, eyewear, jewelery, bed & bath, houseware, etc.
^ Turnover of denim has been re-grouped into women casual and men casual for the years ended 30 June 2014 and 2013
\# Include sales from edc product category
n.a. Not applicable


SEE HER STORY AT ESPRIT.COM

03

AT A GLANCE

Fall/Winter 2014 Campaign

Everyday Amazing

The Fall/Winter 2014 campaign was inspired by the style and look of authentic women with real lives and real stories. We looked at the role of style in the everyday through the lens of the Fall/Winter 2014 collections, making our product the hero.

ELLA WOODWARD

The women embodying the collection and campaign were themselves both "everyday" and "amazing" – they are our Esprit Muses: Authentic women who are true to themselves, truly inspiring and connected to life in a caring way. They represent the core values of Esprit and reflect the Esprit style – casual fashion for a confident woman who has found her style and who cares about the world.

In the course of the Fall/Winter 2014 campaign we introduced seven women whose stories and looks we shared on esprit.com as well as social media and print advertising.

THE ESPRIT MUSES

MAGAZINE ADVERTISING

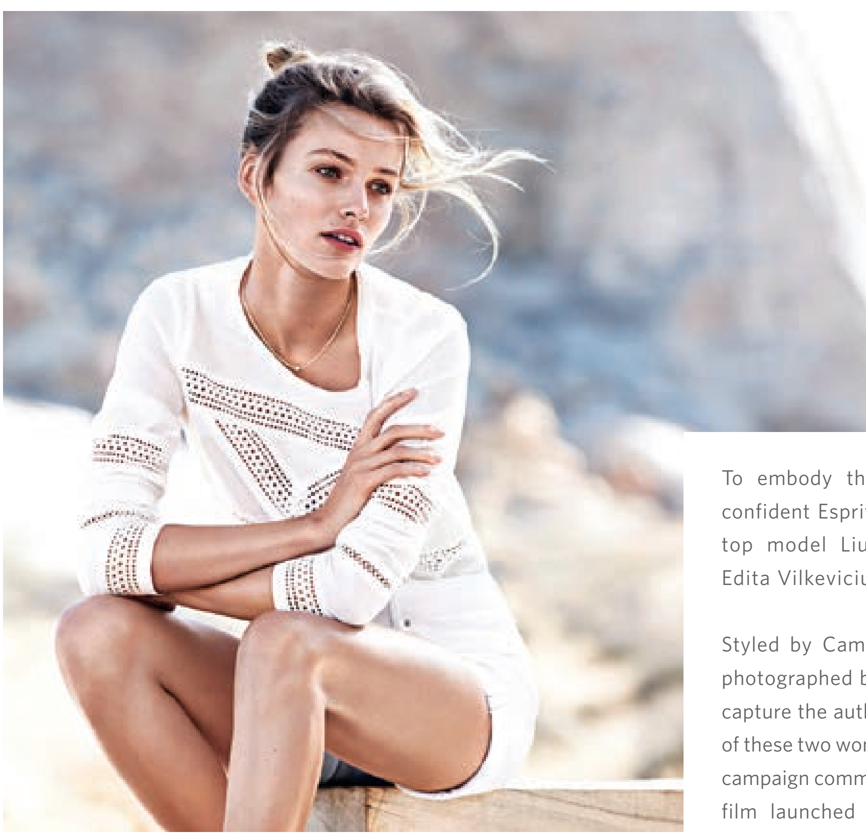
DIGITAL

Spring/Summer 2014 Campaign

I am Esprit!

I am Esprit!
This spring, the Esprit Woman brought fields of unknown cultures, foreign flavors, exciting colors and smart shapes to her summer look. She faced new styles of cosmopolitan luxury, contemporary casuals and soft femininity. The "I am Esprit" campaign communicated this laid back approach towards her grown-up taste and self-awareness. Moreover, it communicated the brand's core values with short but strong brand statements.

LIU WEN & EDITA VILKEVICIUTE



To embody the passionate, talented and confident Esprit Woman, we chose Chinese top model Liu Wen and natural beauty Edita Vilkeviciute.

Styled by Camille Bidault-Waddington and photographed by Lachlan Bailey, the images capture the authenticity, depth and charisma of these two women. The integrated marketing campaign communicated via photography and film launched in the beginning of March 2014 and explored diverse channels such as PR, media collaborations and digital media – including an exciting new cooperation with freundevonfreunden.com, an international online magazine.

MAGAZINE ADVERTISING

WINDOW & INSTORE DISPLAY

ONLINE MEDIA

Product Initiatives

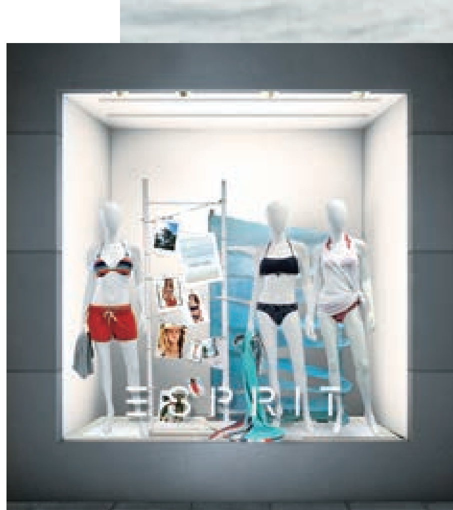
Summer of color

We celebrated summer 2014 with a range of powdery pastel colors and dazzling whites! The outfits in fresh, breezy shades epitomized that relaxed, easy feeling everyone loves about summer – a collection perfect for the beach and the sun. The launch of the summer line was accompanied by a mailing to Esprit Friends, our global customer loyalty program, highlighting the Hero products and capturing the spirit of the collection. Further marketing activities included promotion on all social media channels.

EDITA VILKEVICIUTE

Bodywear

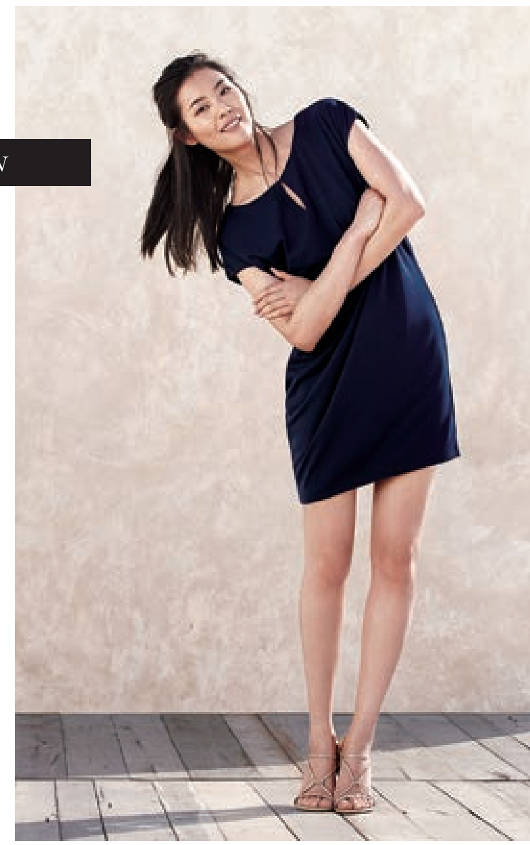
2014 proved to be a busy year for the team of the Bodywear divison, as they successfully introduced the new "Simply Color" and the denim inspired "Authentic Bodywear" lines, launched a new beachwear collection and designed a special Valentine's bag. Every new project was supported by in-store materials such as display banners, counter cards and unique windows.

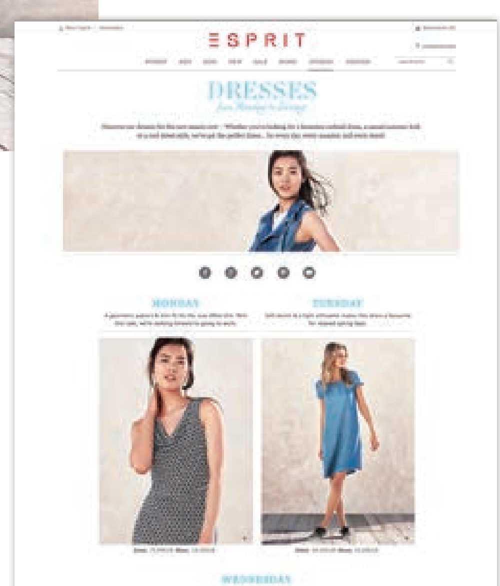


Dresses from Monday to Sunday

To continue the summer 2014 product initiative, we put dresses in the spotlight – Whether consumers were looking for a feminine cocktail dress, a casual summer look or a cool street style, we had the perfect dress to offer... for every day, every occasion and every mood.

LIU WEN

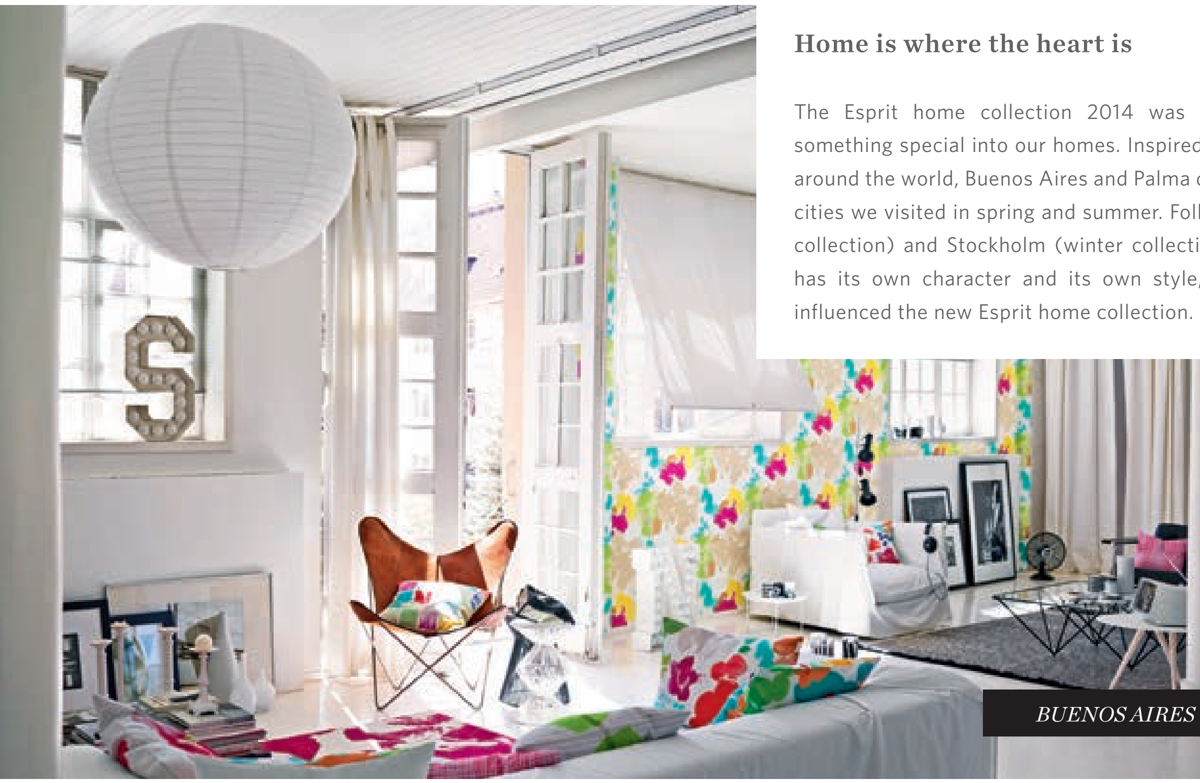




Esprit home

Home is where the heart is

The Esprit home collection 2014 was a journey that brought something special into our homes. Inspired by the pulse of life from around the world, Buenos Aires and Palma de Mallorca were the first cities we visited in spring and summer. Followed by Cape Town (fall collection) and Stockholm (winter collection). Each of these cities has its own character and its own style, and each of them has influenced the new Esprit home collection.



BUENOS AIRES

PALMA DE MALLORCA

CAPE TOWN

ESPRIT HOME AT IMM COLOGNE

Esprit home 2014 PR Event

In January 2014, Esprit home invited key media to a presentation of the new collection for 2014. The Esprit home team welcomed journalists and bloggers to the trendy café & bar "Wohngemeinschaft" located in the heart of Cologne's bustling Belgian neighborhood.

Four differently styled rooms supported the Esprit home concept of the Esprit Woman traveling to different cities around the globe. Buenos Aires for spring, Palma de Mallorca for summer, Cape Town for fall and Stockholm for winter.

Every journalist and blogger was taken on a personal tour through the four different rooms/collections by new Esprit home PR agency Blume, and enjoyed drinks and finger food inspired by traveling to these cities. Representatives from interior magazines such as COUCH, Living at home, AW Architektur & Wohnen, Zuhause Wohnen, Brigitte and many more attended the event, and enjoyed the unique, cozy & personal atmosphere. As a "thanks for coming", they took home a plaid from the Palma collection with an individualized gift-tag.

The media feedback was very positive: "...Stockholm is my favorite collection! I would love to move into that room." living editor Brigitte and "...we loved the location and the styling of the Esprit home products. We will integrate the Palma cushions in our current special 'SOFTENER'..." living editor COUCH.

FASHION SHOW

Public Relations

SINGER/SONGWRITER A-SI

The Esprit China Partners Event

Around 200 guests, mainly business partners and fashion press representatives, attended the Esprit China Partners daytime event held in Shanghai's impressive industrial complex "The Waterhouse" located by the Huangpu river in January 2014.

In order to strengthen the channel partners' confidence and support for Esprit and to keep them informed on the brand's current progress and future direction in the Chinese market, guests were invited to a strategy sharing session with Group CEO Jose Manuel Martínez and the management team.

Furthermore they were able to get an idea of the new shopping experience through Esprit and edc mock-up stores and counters. Key looks and highlights of Esprit and edc Spring/Summer collections were presented in dedicated product areas and shown on local as well as international models.

The well-known Chinese singer/songwriter A-Si provided for a nice atmosphere with her live sung folksy pop songs, as guests wandered through the brand area to learn about Esprit's past, present and future in an inspirational way.

STRATEGY SHARING SESSION

Esprit and international fashion media

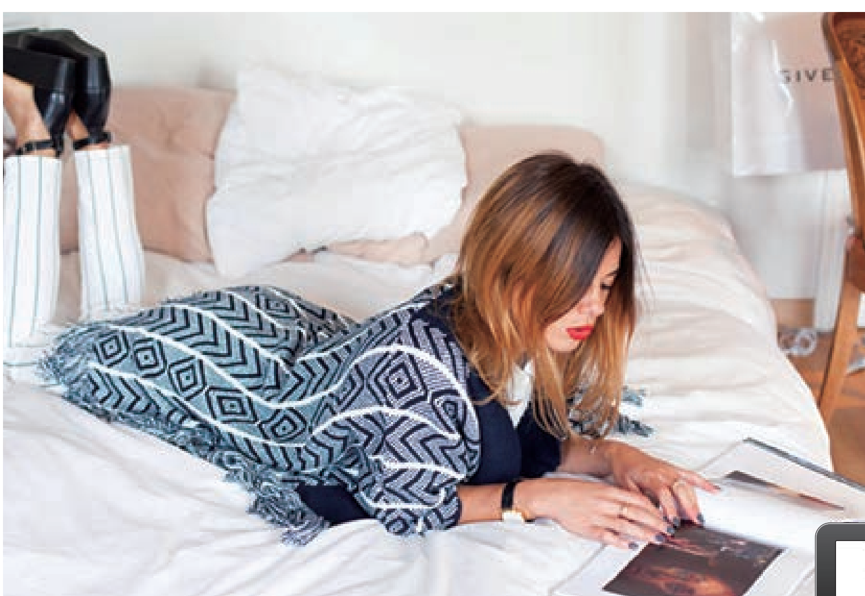
Esprit's international PR and social media network ensures continuous exposure of our collections' key styles in international fashion editorials - both print and online - throughout the seasons. Here are just a few examples of the high quality media coverage that we were able to generate in 2014.

Digital Experience

I am Esprit - Woman Portraits

In Spring 2014, Esprit continued introducing inspiring women, framed in five Women Portraits, created in cooperation with international interview magazine FreundevonFreunden. With these, being prominently implemented on esprit.com and promoted across all social media channels, we amplified the campaign story through real people portraits, for a more personal level of inspiration. All women presented key Esprit looks, which were directly available to buy online. The launch of all five portraits resulted in all together 140,000 visits on esprit.com.

DANIELLE - STYLIST, PARIS

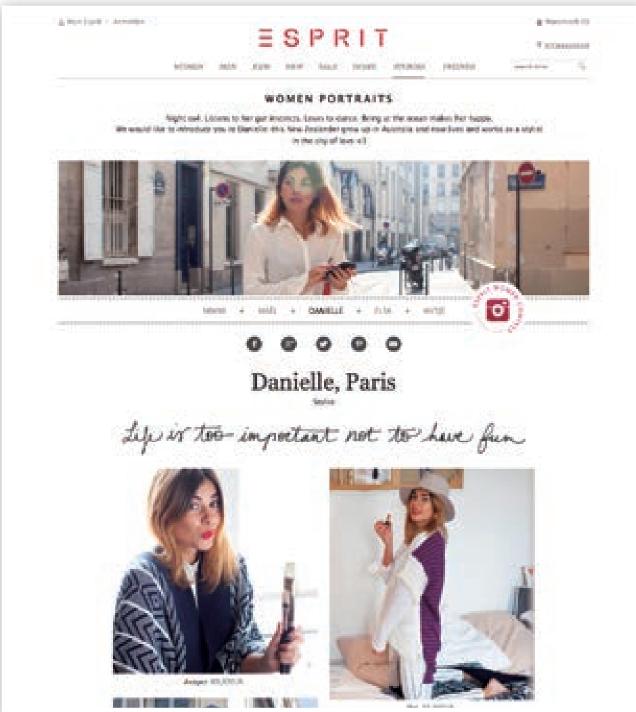


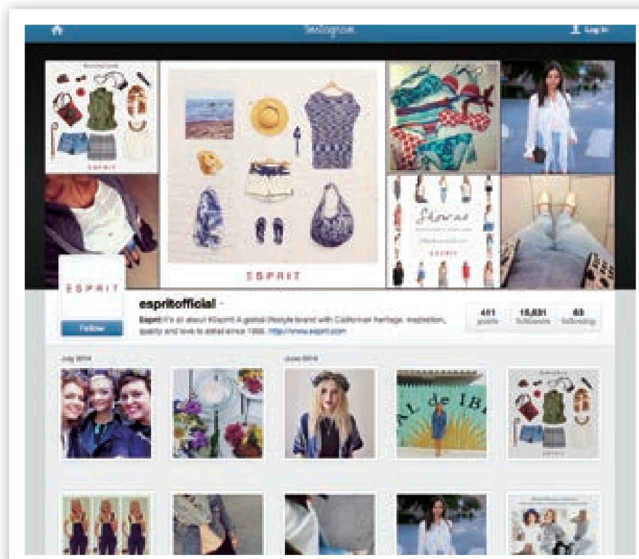
ESPRIT.COM

YouTube

Pinterest

Instagram



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04
MANAGEMENT DISCUSSION & ANALYSIS

04 Management Discussion and Analysis

The Group is pleased to report that we are beginning to see some encouraging results, both in terms of profitability improvements and good progress made in implementing strategic initiatives to fundamentally change the way we manage our business. In many senses, the financial year ended 30 June 2014 ("FY13/14") marked a turning point for us. We achieved our objective of stabilizing the business and establishing a solid foundation from which to carry out our Transformation. The positive results achieved during the past financial year are moving us closer to our objective of restoring Esprit back to success.

04.1 Revenue Analysis

Following our strategic decision to close unprofitable retail stores and rationalize our wholesale customer base, the Group's total controlled space (retail and wholesale combined) declined by -10.7% to over 818,000 m^2 as at 30 June 2014. This decline in controlled space led to a corresponding decline in Group turnover of -9.9% in local currency to HK$24,227 million (2013: HK$25,902 million). Benefiting from a favorable currency impact, the decline in the Group's turnover narrowed to -6.5% in Hong Kong dollar terms. The close correlation between the development of the Group's top line with its total controlled space is largely in line with our guidance.

Turnover by product division

The Group markets its products under two brands, namely the Esprit brand and the edc brand. In FY13/14, the share of turnover from Esprit and edc branded products represented 76.8% (2013: 76.0%) and 23.2% (2013: 24.0%) of Group turnover respectively. Both brands and all our product divisions have obviously been affected by the downsizing of our controlled space.

Turnover by product division

	For the year ended 30 June					
	2014		2013		Turnover change in %	
Product divisions	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
women	**10,186**	**42.0%**	10,325	39.8%	-1.3%	-4.9%
women casual #	**6,952**	**28.7%**	7,214	27.8%	-3.6%	-7.0%
women collection	**2,799**	**11.5%**	2,871	11.1%	-2.5%	-6.2%
trend	**435**	**1.8%**	240	0.9%	81.3%	73.8%
men	**3,601**	**14.9%**	4,108	15.9%	-12.3%	-15.3%
men casual #	**2,852**	**11.8%**	3,207	12.4%	-11.1%	-14.1%
men collection	**749**	**3.1%**	901	3.5%	-16.9%	-19.9%
others	**4,815**	**19.9%**	5,254	20.3%	-8.4%	-12.0%
bodywear	**1,078**	**4.5%**	1,055	4.1%	2.1%	-2.5%
accessories	**1,060**	**4.4%**	1,153	4.5%	-8.1%	-11.3%
shoes	**1,005**	**4.1%**	1,097	4.2%	-8.3%	-12.4%
kids	**801**	**3.3%**	894	3.5%	-10.4%	-13.9%
sports	**253**	**1.0%**	317	1.2%	-20.3%	-23.3%
de. corp	**18**	**0.1%**	115	0.4%	-84.2%	-84.4%
others *	**600**	**2.5%**	623	2.4%	-3.7%	-6.7%
Esprit total	**18,602**	**76.8%**	19,687	76.0%	-5.5%	-9.0%
edc women	**4,337**	**17.9%**	4,744	18.3%	-8.6%	-12.1%
edc men	**1,022**	**4.2%**	1,177	4.6%	-13.1%	-16.3%
edc others ^	**266**	**1.1%**	294	1.1%	-9.9%	-13.8%
edc total	**5,625**	**23.2%**	6,215	24.0%	-9.5%	-13.0%
Group Total	**24,227**	**100.0%**	25,902	100.0%	-6.5%	-9.9%

Turnover of denim has been re-grouped into women casual and men casual in FY13/14 and FY12/13
* Others include mainly licensing income & licensed products like timewear, eyewear, jewelery, bed & bath, houseware, etc.
^ edc others include edc shoes, edc accessories and edc bodywear

Turnover of **Esprit** branded products recorded a decline of -5.5% in Hong Kong dollar terms and of -9.0% in local currency but we would highlight that the turnover decline in Hong Kong dollar terms and local currency were -1.3% and -4.9% respectively for our Esprit women divisions. This is specially relevant for us because most of the new measures introduced in FY13/14 were only implemented in those divisions. During the financial year, the Group put in place a series of initiatives aimed at improving the value-for-money proposition of our products. As an example, product quality has been enhanced in many aspects including fabric, fitting and manufacturing; products were re-priced to a more competitive level in the market; and "Hero" products were introduced to driving additional traffic and sales. The men's divisions, which did not benefit from such initiatives, had a turnover decline of -12.3% in Hong Kong dollar terms and -15.3% year-on-year decline in local currency.

Turnover of other product divisions under the Esprit brand, including bodywear, accessories, shoes, kids and sports, recorded an aggregate decline of -8.4% in Hong Kong dollar terms and -12.0% in local currency. As mentioned in the Group's interim results FY13/14, there are divisions that the Group is deliberately scaling back, such as kids, sports and de. corp and this explains the larger decline of these product divisions.

The Group's **edc** branded products recorded a -9.5% decline in turnover in Hong Kong dollar terms (-13.0% year-on-year in local currency). The decline is relatively higher than that of Esprit branded products, due to a greater reduction in controlled space that was the outcome of our previous decision to separate the two brands. Such decision has been revised in light of the actual impact on stores performance and we no longer intend to position edc as a separate brand operating independently from Esprit. That being said, the plan to diversify our brand portfolio in the long term is intact and this will be accomplished through the potential introduction of new brands.

In relation to our product divisions, an important milestone achieved by the Group during the financial year was the implementation of the high performance product engine ("the New Engine"), which establishes faster and more efficient product development and supply chain processes. This is fundamental to a successful turnaround and regaining long-term competitiveness for Esprit. After months of focused efforts across the Group, the New Engine was activated effective July 2014. The implementation was executed according to our expectations and whilst there are initial findings of the first execution, which is normal in the implementation of such major changes, overall, feedback from wholesale partners have been positive, both in relation to the products and to the new way of working (i.e. new calendar and flow of collections).

Turnover by distribution channel

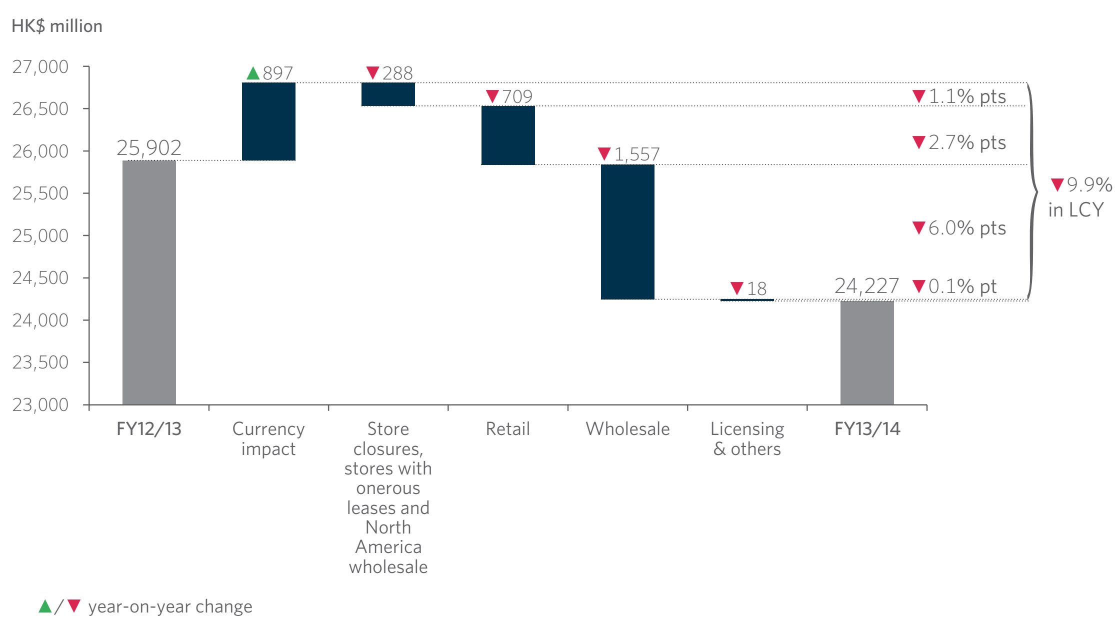
The Group's operating activities are primarily retail, wholesale and licensing businesses. As a result of the different development of our retail and our wholesale businesses over the last few years, the retail channel is gaining relative weight over the total revenue of the Group. In FY13/14, turnover from our retail, wholesale and licensing businesses contributed 62.8% (2013: 60.4%), 36.5% (2013: 38.9%) and 0.7% (2013: 0.7%) of Group turnover respectively.

Turnover by distribution channel

	For the year ended 30 June						
	2014		2013		Turnover change in %		Net change in net sales area^
Key Distribution Channels	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency	
Retail #	**15,220**	**62.8%**	15,652	60.4%	-2.8%	-6.0%	-5.7%
Europe	**11,359**	**46.9%**	11,006	42.4%	3.2%	-1.5%	-0.9%
Asia Pacific	**3,159**	**13.0%**	3,742	14.5%	-15.6%	-14.4%	-11.0%
Subtotal	**14,518**	**59.9%**	14,748	56.9%	-1.6%	-4.8%	-4.5%
Store closures and stores with onerous leases *	**702**	**2.9%**	904	3.5%	-22.4%	-25.5%	-16.5%
Wholesale	**8,835**	**36.5%**	10,062	38.9%	-12.2%	-16.1%	-13.8%
Europe **	**8,311**	**34.3%**	9,024	34.8%	-7.9%	-12.0%	-10.9%
Asia Pacific	**524**	**2.2%**	980	3.8%	-46.5%	-48.0%	-30.0%
North America	**–**	**–**	58	0.3%	-100.0%	-100.0%	n.a.
Licensing and others	**172**	**0.7%**	188	0.7%	-8.5%	-9.3%	n.a.
Licensing	**170**	**0.7%**	172	0.7%	-1.3%	-2.1%	n.a.
Others	**2**	**0.0%**	16	0.0%	-86.3%	-86.9%	n.a.
Total	**24,227**	**100.0%**	25,902	100.0%	-6.5%	-9.9%	-10.7%

^ Net change since 1 July 2013
# Retail sales include sales from e-shops in countries where available
* Represent store closures and stores with onerous leases announced in prior financial year(s)
** For the year ended 30 June 2014, wholesale sales to Chile, Colombia and the Middle East have been re-grouped from Asia Pacific to Europe. Comparative figures have been restated accordingly
n.a. Not applicable

The diagram below sets forth the development of the Group turnover in FY13/14.



The Group's retail operation delivered a turnover of HK$15,220 million (2013: HK$15,652 million), which represents a -2.8% decline in Hong Kong dollar terms. Excluding foreign currency impact, retail turnover declined by -6.0%, broadly in line with the -5.7% reduction in retail net sales area. Excluding store closures and stores with onerous leases ("Core Retail"), the turnover decline narrowed to -1.6% in Hong Kong dollar terms and -4.8% in local currency.

Retail turnover by country

	For the year ended 30 June							
		2014		2013	Turnover change in %		Net change	
Countries	**HK$ million**	**% of Retail Turnover**	HK$ million	% of Retail Turnover	HK$	Local currency	in net sales area^	Comp-store sales growth
Core Europe	**11,359**	**74.6%**	11,006	70.3%	3.2%	-1.5%	-0.9%	-3.8%
Germany	**6,844**	**45.0%**	6,695	42.8%	2.2%	-2.4%	-1.9%	-4.1%
Rest of Europe	**4,515**	**29.6%**	4,311	27.5%	4.7%	0.0%	0.3%	-3.4%
Benelux	**1,854**	**12.2%**	1,715	11.0%	8.1%	3.1%	3.4%	-1.5%
Switzerland	**935**	**6.1%**	913	5.8%	2.5%	-1.8%	3.0%	-4.5%
Austria	**747**	**4.9%**	764	4.9%	-2.3%	-6.8%	-3.6%	-6.8%
France	**723**	**4.7%**	664	4.2%	8.9%	4.0%	10.4%	-4.2%
Finland	**80**	**0.5%**	87	0.6%	-8.6%	-12.7%	-47.7%	-9.7%
United Kingdom	**68**	**0.5%**	72	0.5%	-4.6%	-8.1%	-100.0%	5.7%
Denmark	**50**	**0.4%**	55	0.4%	-9.2%	-13.4%	n.a.**	-13.4%
Sweden	**16**	**0.1%**	6	0.0%	163.5%	151.2%	–	150.9%
Spain	**7**	**0.0%**	5	0.0%	50.3%	43.1%	–	43.1%
Italy	**5**	**0.0%**	4	0.0%	28.9%	22.8%	–	22.8%
Ireland	**3**	**0.0%**	2	0.0%	8.1%	2.7%	n.a.**	6.5%
Portugal	**1**	**0.0%**	1	0.0%	21.8%	16.2%	–	16.2%
Others *	**26**	**0.2%**	23	0.1%	13.9%	8.6%	–	8.6%
Core Asia Pacific	**3,159**	**20.8%**	3,742	23.9%	-15.6%	-14.4%	-11.0%	-5.0%
China	**1,383**	**9.1%**	1,613	10.3%	-14.3%	-15.8%	-13.3%	-3.4%
Australia and New Zealand	**452**	**3.0%**	640	4.1%	-29.4%	-22.3%	-26.2%	-2.2%
Hong Kong	**401**	**2.6%**	456	2.9%	-12.0%	-12.0%	-9.7%	-2.3%
Singapore	**348**	**2.3%**	398	2.5%	-12.7%	-11.2%	-5.4%	-14.0%
Malaysia	**251**	**1.7%**	285	1.8%	-11.9%	-7.2%	3.3%	-7.8%
Taiwan	**201**	**1.3%**	232	1.5%	-13.6%	-12.4%	-3.9%	-1.7%
Macau	**123**	**0.8%**	118	0.8%	4.9%	4.9%	36.7%	-1.8%
Core Retail	**14,518**	**95.4%**	14,748	94.2%	-1.6%	-4.8%	-4.5%	-4.1%
Store closures and stores with onerous leases #	**702**	**4.6%**	904	5.8%	-22.4%	-25.5%	-16.5%	n.a.
Total	**15,220**	**100.0%**	15,652	100.0%	-2.8%	-6.0%	-5.7%	-4.1%

^ Net change since 1 July 2013
* Others' retail turnover represents retail turnover from e-shops in Czech Republic, Poland, Slovakia, Hungary, Slovenia, Latvia, Greece, Malta and Estonia
** POS grouped under store closures announced in prior financial year(s)
# Represent store closures and stores with onerous leases announced in prior financial year(s)
n.a. Not applicable

From a regional perspective, we are particularly encouraged by the stabilization of **Core Retail in Europe**, which was the result of improved sales and inventory management, and strategic expansion of the outlet channel. As a consequence, turnover of Core Retail in Europe grew +3.2% in Hong Kong dollar terms and dropped moderately by -1.5% in local currency, which was largely in line with the corresponding -0.9% reduction in retail net sales area. In general, we saw stable development across our European retail markets. It is also worth noting that in Sweden, Spain, Italy, Ireland and Portugal, where the Group no longer has a physical store presence, we managed to maintain and even grow retail turnover by leveraging our well-established e-commerce platform.

In contrast, **Core Retail in Asia Pacific** continued to be under pressure. In addition to the rationalization of unprofitable retail space, which affected mostly China (-13.3% year-on-year decrease in sqm) and Australia and New Zealand (-26.2% year-on-year decrease in sqm), performances of Core Retail in Asia Pacific including Hong Kong, Singapore, Malaysia and Taiwan, were further weighed down by lower traffic, stock availability issues and the unfavorable shift in product mix towards more basic items of lower average selling price. Consequently, Core Retail in Asia Pacific recorded a turnover decline of -15.6% in Hong Kong dollar terms and -14.4% in local currency, larger than the corresponding decrease in retail net sales area of -11.0%.

Directly managed retail stores by country – movement since 1 July 2013

Countries	No. of stores	Net opened stores*	Net sales area (m²)	Net change in net sales area*	No. of comp stores
	As at 30 June 2014				
Core Europe	**302**	**(22)**	**200,521**	**-0.9%**	**220**
Germany **	139	(4)	112,510	-1.9%	102
Netherlands	52	1	20,350	2.3%	38
Switzerland	36	–	16,241	3.0%	30
Belgium	28	(1)	18,568	5.0%	20
France	23	2	13,502	10.4%	15
Austria	19	1	16,574	-3.6%	11
Luxembourg	3	–	1,866	–	2
Finland	2	(1)	910	-47.7%	2
United Kingdom	–	(20)	–	-100.0%	–
Core Asia Pacific	**553**	**(86)**	**100,520**	**-11.0%**	**253**
China **	319	(45)	50,052	-13.3%	110
Australia	78	(36)	10,419	-29.5%	49
Taiwan	72	(7)	7,231	-3.9%	48
Malaysia	35	3	12,426	3.3%	18
Singapore	22	(1)	8,487	-5.4%	14
Hong Kong	14	(1)	7,090	-9.7%	7
New Zealand	8	–	1,826	–	4
Macau	5	1	2,989	36.7%	3
Subtotal	**855**	**(108)**	**301,041**	**-4.5%**	**473**
Store closures and stores with onerous leases #	50	(11)	29,192	-16.5%	n.a.
Total	**905**	**(119)**	**330,233**	**-5.7%**	**473**

* Net change since 1 July 2013
** All e-shops within Europe and the e-shop in China are shown as one comparable store in Germany and one comparable store in China
# Represent store closures and stores with onerous leases announced in prior financial year(s)
n.a. Not applicable

During the financial year, the Group made good headway in closing stores under previously announced "store closures and stores with onerous leases", with 11 such stores closed. As mentioned in the Group's interim results FY13/14, we are looking at package deals which may result in giving up some stores not previously earmarked for closures in order to resolve issues arising from closing those stores with serious loss-making situations.

As at 30 June 2014, Core Retail had 855 point-of-sales ("POS") with total retail net sales area of 301,041 m². During the financial year, as a result of the rationalization of unprofitable retail space, store and concession counter space decreased by -6.2%, with the decline coming mostly from China and Australia. On the other hand, we strategically expanded the outlet channel with a net addition of 4 POS, representing a +8.2% increase in net retail sales area, as part of our initiative to establish a sustainable channel for the clearance of aged inventory.

Directly managed retail stores by store type – movement since 1 July 2013

Store types	No. of POS: As at 30 June 2014	vs 1 July 2013 Opened	vs 1 July 2013 Closed	As at 1 July 2013	Net change	Net sales area (m²): As at 30 June 2014	vs 1 July 2013 Opened	vs 1 July 2013 Closed	As at 1 July 2013	Net change
Stores/Concession counters	**773**	**40**	**(152)**	**885**	**(112)**	**261,653**	**11,521**	**(28,788)**	**278,920**	**-6.2%**
– Europe	283	8	(33)	308	(25)	181,039	4,983	(8,232)	184,288	-1.8%
– Asia Pacific	490	32	(119)	577	(87)	80,614	6,538	(20,556)	94,632	-14.8%
Outlets	**82**	**12**	**(8)**	**78**	**4**	**39,388**	**3,955**	**(978)**	**36,411**	**8.2%**
– Europe	19	3	–	16	3	19,482	1,350	–	18,132	7.4%
– Asia Pacific	63	9	(8)	62	1	19,906	2,605	(978)	18,279	8.9%
Subtotal	**855**	**52**	**(160)**	**963**	**(108)**	**301,041**	**15,476**	**(29,766)**	**315,331**	**-4.5%**
Store closures and stores with onerous leases #	50	–	(11)	61	(11)	29,192	–	(5,780)	34,972	-16.5%
Total	**905**	**52**	**(171)**	**1,024**	**(119)**	**330,233**	**15,476**	**(35,546)**	**350,303**	**-5.7%**

Represent store closures and stores with onerous leases announced in prior financial year(s)

Due to the closures and openings as mentioned above and the refurbishing of other spaces, our comparable store base represented 56.7% (2013: 39.9%) of total retail net sales area, or 52.1% (2013: 41.0%) of total retail POS as at 30 June 2014. The comparable store base recorded a sales decline of -4.1% year-on-year in local currency which was partially offset by the increase in turnover contribution from the refurbished stores and the new stores and outlets opened in the course of the last two financial years i.e. FY12/13 and FY13/14.

Retail performance scorecard

	For the year ended 30 June	
	2014	2013
No. of Esprit POS	**905**	1,024
Esprit net sales area (m^2)	**330,233**	350,303
Year-on-year change in Esprit net sales area	**-5.7%**	-3.0%
Year-on-year local currency turnover growth	**-6.0%**	-9.9%
Segment EBIT margin	**4.0%**	-7.1%
Comparable store sales growth	**-4.1%**	-3.3%

The Group's wholesale operation delivered a turnover of HK$8,835 million (2013: HK$10,062 million), representing a -12.2% decline in Hong Kong dollar terms. Excluding foreign currency impact, wholesale turnover declined by -16.1%, mainly attributable to a -13.8% year-on-year reduction in controlled wholesale space as well as the continued weakness in the business performance of the wholesale channel in general.

In the financial year under review, our efforts in the wholesale channel focused on rationalizing our customer base and actively clearing aged inventory for our wholesale partners. While these initiatives aggravated the decline in wholesale turnover, we believe that both were necessary to re-establish a healthier platform for the channel in the future.

Wholesale turnover by country

	For the year ended 30 June						
	2014		2013		Turnover change in %		Net change in net sales area^
Countries	**HK$ million**	**% of Wholesale Turnover**	HK$ million	% of Wholesale Turnover	HK$	Local currency	
Europe	**8,311**	**94.1%**	9,024	89.7%	-7.9%	-12.0%	-10.9%
Germany	**4,170**	**47.2%**	4,173	41.5%	-0.1%	-4.7%	-5.6%
Rest of Europe	**4,141**	**46.9%**	4,851	48.2%	-14.6%	-18.3%	-15.8%
Benelux	**1,205**	**13.6%**	1,489	14.8%	-19.1%	-22.8%	-7.3%
France	**755**	**8.6%**	813	8.1%	-7.2%	-11.5%	-7.5%
Scandinavia	**678**	**7.7%**	863	8.6%	-21.4%	-23.6%	-15.7%
Austria	**348**	**4.0%**	381	3.8%	-8.6%	-12.8%	-12.1%
Spain	**222**	**2.5%**	213	2.1%	4.2%	-0.7%	-3.4%
Switzerland	**189**	**2.1%**	203	2.0%	-7.0%	-10.6%	-13.5%
Italy	**144**	**1.6%**	129	1.3%	12.3%	6.8%	-28.1%
United Kingdom	**107**	**1.2%**	80	0.8%	33.2%	28.7%	-3.2%
Portugal	**9**	**0.1%**	11	0.1%	-23.2%	-26.5%	–
Ireland	**5**	**0.1%**	7	0.0%	-26.8%	-30.0%	-18.6%
Others *	**479**	**5.4%**	662	6.6%	-27.7%	-30.9%	-36.0%
Asia Pacific	**524**	**5.9%**	980	9.7%	-46.5%	-48.0%	-30.0%
China	**379**	**4.3%**	787	7.8%	-51.7%	-52.7%	-33.7%
Australia	**5**	**0.0%**	37	0.4%	-86.5%	-84.8%	-100.0%
Others #	**140**	**1.6%**	156	1.5%	-10.4%	-14.6%	-12.4%
North America	**–**	**–**	58	0.6%	-100.0%	-100.0%	n.a.
Canada	**–**	**–**	58	0.6%	-100.0%	-100.0%	n.a.
Total	**8,835**	**100.0%**	10,062	100.0%	-12.2%	-16.1%	-13.8%

^ Net change since 1 July 2013

* For the year ended 30 June 2014, wholesale sales to other European countries mainly Russia, Poland and Bulgaria have been re-grouped from Germany to others under Rest of Europe. In addition, wholesale sales to Chile, Colombia and the Middle East have also been re-grouped from Macau to others under Rest of Europe. Comparative figures have been restated accordingly

For the year ended 30 June 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to others under Asia Pacific. Comparative figures have been restated accordingly

n.a. Not applicable

For **Europe** as a whole, our wholesale business recorded a turnover decline of -7.9% in Hong Kong dollar terms and -12.0% in local currency, in line with a controlled space decline of -10.9%. On a positive note, we were particularly pleased by the stabilization of wholesale space productivity in Germany, where the wholesale turnover decline in local currency of -4.7% was less than the corresponding -5.6% year-on-year reduction in controlled space. This positive result, however, was offset by weaker wholesale performance in Rest of Europe, where wholesale turnover declined by -18.3% in local currency, larger than the corresponding -15.8% decline in controlled space, primarily due to lower demand from customers in Benelux and Scandinavia regions.

For **Asia Pacific**, our wholesale business remained under pressure and reported turnover decline of -46.5% in Hong Kong dollar terms and -48.0% in local currency, considerably greater than the corresponding -30.0% reduction in controlled space. The region's weak performance was mainly due to China, the Group's largest wholesale market in Asia Pacific, where we saw wholesale turnover decline by -52.7% in local currency, which was significantly higher than the -33.7% reduction in controlled space. The larger decline in turnover as compared to controlled space is due to the special return agreements to solve our long time problems with aged inventory in the country's wholesale channel. This special return initiative is now completed with the last return taken place in July 2014. Additionally, our strategic decision to close the wholesale operation in Australia, leading to closure of all wholesale POS, also adversely impacted the region's wholesale turnover.

Wholesale performance scorecard

	For the year ended 30 June	
	2014	2013
No. of Esprit controlled space POS	**8,130**	9,248
Esprit controlled space area (m^2)	**488,270**	566,176
Year-on-year change in Esprit controlled space area	**-13.8%**	-13.4%
Year-on-year local currency turnover growth	**-16.1%**	-13.7%
Segment EBIT margin	**11.0%**	9.7%

Wholesale distribution channel by country (controlled space only) – movement since 1 July 2013

As at 30 June 2014

	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
Countries	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*
Europe	**931**	**222,150**	**(111)**	**-11.7%**	**4,105**	**151,132**	**(284)**	**-7.3%**	**2,638**	**55,455**	**(497)**	**-16.4%**	**7,674**	**428,737**	**(892)**	**-10.9%**
Germany	291	73,345	7	4.6%	3,070	118,819	(193)	-7.2%	1,496	27,436	(354)	-20.5%	4,857	219,600	(540)	-5.6%
Rest of Europe	640	148,805	(118)	-18.0%	1,035	32,313	(91)	-7.7%	1,142	28,019	(143)	-12.0%	2,817	209,137	(352)	-15.8%
Benelux	139	44,291	(11)	-7.6%	148	6,093	(5)	-3.5%	327	7,833	(22)	-8.6%	614	58,217	(38)	-7.3%
France	134	25,006	(11)	-6.1%	320	7,293	(24)	-5.7%	164	5,026	(38)	-16.5%	618	37,325	(73)	-7.5%
Sweden	51	17,712	(12)	-15.9%	-	-	-	-	46	1,265	1	2.0%	97	18,977	(11)	-14.9%
Austria	65	10,806	(8)	-14.7%	90	3,150	(3)	-1.1%	50	1,297	(8)	-13.9%	205	15,253	(19)	-12.1%
Finland	23	6,135	(5)	-18.9%	89	3,888	(2)	-4.0%	181	4,720	(68)	-26.3%	293	14,743	(75)	-18.2%
Switzerland	27	4,497	1	-4.1%	55	2,430	(8)	-24.7%	25	459	(7)	-27.0%	107	7,386	(14)	-13.5%
Denmark	15	4,149	(2)	-9.1%	-	-	(1)	-100.0%	32	817	(6)	-18.3%	47	4,966	(9)	-11.1%
Italy	22	3,912	(12)	-42.2%	32	1,142	(1)	3.3%	150	2,472	(6)	-4.4%	204	7,526	(19)	-28.1%
Spain	15	2,034	-	-0.9%	185	5,422	(29)	-9.3%	85	2,365	11	11.0%	285	9,821	(18)	-3.4%
Portugal	2	576	-	-	-	-	-	-	5	85	-	-	7	661	-	-
United Kingdom	3	214	-	-40.1%	14	524	2	10.8%	68	1,544	-	1.1%	85	2,282	2	-3.2%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
Ireland	-	-	-	-	5	234	(3)	-25.9%	8	126	-	-	13	360	(3)	-18.6%
Others ^	143	29,231	(58)	-37.0%	97	2,137	(17)	-18.5%	1	10	-	-	241	31,378	(75)	-36.0%
Asia Pacific	**456**	**59,533**	**(208)**	**-29.5%**	**-**	**-**	**(18)**	**-100.0%**	**-**	**-**	**-**	**-**	**456**	**59,533**	**(226)**	**-30.0%**
China	305	44,877	(203)	-33.7%	-	-	-	-	-	-	-	-	305	44,877	(203)	-33.7%
Thailand	99	6,442	1	-12.0%	-	-	-	-	-	-	-	-	99	6,442	1	-12.0%
Philippines	27	3,651	(1)	-13.5%	-	-	-	-	-	-	-	-	27	3,651	(1)	-13.5%
Australia	-	-	-	-	-	-	(18)	-100.0%	-	-	-	-	-	-	(18)	-100.0%
Others	25	4,563	(5)	-12.1%	-	-	-	-	-	-	-	-	25	4,563	(5)	-12.1%
Total	**1,387**	**281,683**	**(319)**	**-16.2%**	**4,105**	**151,132**	**(302)**	**-7.7%**	**2,638**	**55,455**	**(497)**	**-16.4%**	**8,130**	**488,270**	**(1,118)**	**-13.8%**

* Net change since 1 July 2013
** Excludes salon
^ As at 30 June 2014, controlled wholesale POS and space in other European countries mainly Russia, Poland and Bulgaria have been re-grouped from Germany to others under Rest of Europe. In addition, controlled wholesale POS and space in Chile and Colombia have been re-grouped from others under Asia Pacific to others under Rest of Europe whereas controlled wholesale POS and space in the Middle East have been re-grouped from Asia Pacific to others under Rest of Europe. Comparative figures have been restated accordingly

Licensing, although a small segment contributing 0.7% of Group turnover, continues to be an important part of the business, highlighting the strength of the Esprit brand. In FY13/14, licensing turnover amounted to HK$170 million (2013: HK$172 million), representing a slight decline of -1.3% in Hong Kong dollar terms (-2.1% in local currency). This slight decline was a result of the combined effect of the continued growth of existing licensed products and our decision to terminate certain brand-dilutive licenses, primarily those under Home World and Babies & Kids World, in favor of core licensed product categories to bring the licensed product portfolio in line with our brand positioning. As at 30 June 2014, the number of licensed product categories decreased to 18.

Key licensed products categories

As at 30 June 2014	Europe	Asia Pacific	North America	Latin America
Accessories World				
costume jewelery	■	■		
eyewear	■	■	■	■
fragrance	■	■		■
jewelery	■	■		■
luggage	■	■		
outerwear			■	
shoes			■	■
socks + tights	■	■	■	■
stationery	■			
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
decoration	■	■		■
wallpaper	■	■		
Babies & Kids World				
kids' shoes			■	
maternity	■			

Turnover by geography

The majority of the Group's businesses are located in Europe and Asia Pacific. As our top line performance continued to be impacted by store closures and stores with onerous leases announced in previous financial year(s), it is important that we assess the actual top line performance of both regions excluding store closures and stores with onerous leases and North America wholesale ("Core Operations"). Turnover from our Core Operations in Europe and Germany accounted for 81.3% (2013: 77.4%) and 45.5% (2013: 42.0%) of Group turnover respectively.

Turnover by country

	For the year ended 30 June						
	2014		2013		Turnover change in %		Net change in net sales area^
Countries#	HK$ million	% to Group Turnover	HK$ million	% to Group Turnover	HK$	Local currency	
Europe	**19,700**	**81.3%**	20,059	77.4%	-1.8%	-6.3%	-7.9%
Germany *	**11,034**	**45.5%**	10,884	42.0%	1.4%	-3.3%	-4.4%
Rest of Europe	**8,666**	**35.8%**	9,175	35.4%	-5.5%	-9.7%	-11.6%
Benelux *	**3,069**	**12.7%**	3,217	12.4%	-4.6%	-9.0%	-3.2%
France	**1,478**	**6.1%**	1,477	5.7%	0.1%	-4.6%	-3.4%
Switzerland	**1,124**	**4.7%**	1,116	4.3%	0.8%	-3.4%	-2.8%
Austria	**1,095**	**4.5%**	1,145	4.4%	-4.4%	-8.8%	-7.9%
Scandinavia	**824**	**3.4%**	1,011	3.9%	-18.5%	-21.1%	-16.8%
Spain	**229**	**1.0%**	218	0.8%	5.2%	0.3%	-3.4%
United Kingdom	**175**	**0.7%**	152	0.6%	15.3%	11.4%	-38.9%
Italy	**149**	**0.6%**	132	0.5%	12.8%	7.3%	-28.1%
Portugal	**10**	**0.0%**	12	0.1%	-20.9%	-24.3%	-
Ireland	**8**	**0.0%**	9	0.0%	-18.4%	-22.1%	-18.6%
Others ##	**505**	**2.1%**	686	2.7%	-26.2%	-29.5%	-36.0%
Asia Pacific	**3,685**	**15.2%**	4,738	18.3%	-22.2%	-21.6%	-19.2%
China **	**1,764**	**7.3%**	2,416	9.3%	-26.9%	-28.3%	-24.3%
Australia and New Zealand	**457**	**1.9%**	677	2.6%	-32.6%	-25.7%	-29.1%
Hong Kong	**401**	**1.7%**	456	1.8%	-12.0%	-12.0%	-9.7%
Singapore	**348**	**1.4%**	398	1.5%	-12.7%	-11.2%	-5.4%
Malaysia	**251**	**1.0%**	285	1.1%	-11.9%	-7.2%	3.3%
Taiwan	**201**	**0.8%**	232	0.9%	-13.6%	-12.4%	-3.9%
Macau	**123**	**0.5%**	118	0.5%	4.9%	4.9%	36.7%
Others @	**140**	**0.6%**	156	0.6%	-10.4%	-14.6%	-12.4%
North America	**140**	**0.6%**	143	0.6%	-2.2%	-2.2%	n.a.
United States *	**140**	**0.6%**	143	0.6%	-2.2%	-2.2%	n.a.
Core Operations	**23,525**	**97.1%**	24,940	96.3%	-5.7%	-9.2%	-10.5%
Store closures and stores with onerous leases *** and North America wholesale	**702**	**2.9%**	962	3.7%	-27.1%	-30.0%	-16.5%
Total	**24,227**	**100.0%**	25,902	100.0%	-6.5%	-9.9%	-10.7%

^ Net change since 1 July 2013
# Country as a whole includes retail, wholesale and licensing operations
For the year ended 30 June 2014, wholesale sales to other European countries mainly Russia, Poland and Bulgaria have been re-grouped from Germany to others under Rest of Europe. In addition, wholesale sales to Chile, Colombia and the Middle East have also been re-grouped from Macau to others under Rest of Europe. Comparative figures have been restated accordingly
@ For the year ended 30 June 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to others under Asia Pacific. Comparative figures have been restated accordingly
* Includes licensing
** Includes salon
*** Represent store closures and stores with onerous leases announced in prior financial year(s)
n.a. Not applicable

In **Europe**, we observed a continued stabilization of space productivity of Esprit's Core Operations in the region, where our initiatives on sales activation (including improved promotional calendar, better management of markdowns, and enhanced value-for-money proposition of our products) effectively supported controlled space productivity. As a consequence, turnover from Core Operations in Europe declined by -1.8% in Hong Kong dollar terms, and the corresponding decline in local currency of -6.3% was lower than the decline in its total controlled space of -7.9%. Specifically, in **Germany**, turnover from Core Operations recorded growth of +1.4% in Hong Kong dollar terms, and a decline of -3.3% in local currency, which was lower than the corresponding decline in total controlled space of -4.4%. And in **Rest of Europe**, turnover of Core Operations registered a decline of -5.5% in Hong Kong dollar terms and -9.7% in local currency, also lower than the corresponding decline of -11.6% in total controlled space.

In **Asia Pacific**, turnover of Core Operations registered a decline of -22.2% in Hong Kong dollar terms and -21.6% in local currency, with a corresponding decline in controlled space of -19.2%, due to certain developments in both the retail and wholesale channels as explained in the previous sections. China remained the largest market for the Group in the region and the third largest market overall in terms of turnover. Performance of the Core Operations in China was far from satisfactory, recording turnover decline of -28.3% in local currency with a corresponding decline in controlled space of -24.3%. A number of factors, both external and internal, have led to this weak performance in China: i) softer domestic economic growth; ii) closure of unprofitable retail stores upon expiry of leases; iii) rationalization of wholesale customer base; iv) the special return agreements to solve our long time problems with aged inventory in the wholesale channel (completed with the last return taken place in July 2014); and v) a higher proportion of merchandise shifting to imports resulting in initial stock availability issues. Under the leadership of the new management team in China, we will refocus our strategy on improving operations and product performance as we develop a more sustainable expansion plan for our retail and wholesale in coming years.

04.2 Profitability Analysis

Gross profit amounted to HK$12,156 million (2013: HK$12,837 million) with a corresponding **gross profit margin** of 50.2% (2013: 49.6%). We have been able to largely offset our continued spending in improving product quality with savings achieved from sourcing initiatives, resulting in a stable gross profit margin. The slight improvement in overall gross profit margin (+0.6% point) was mainly attributable to fewer markdowns as a result of improved inventory management, as well as a larger share of retail turnover to Group turnover (2014: 62.8%; 2013: 60.4%).

Operating expenses ("OPEX") – As a result of our team's intensive efforts on our cost reduction program, we achieved OPEX savings of HK$5,212 million, representing a year-on-year reduction of -32.9% in local currency (-30.6% in Hong Kong dollar terms). With the exclusion of the non-recurring OPEX items in FY12/13 (impairments and provisions on China goodwill, store closure and onerous leases totaling HK$2,494 million), OPEX declined by HK$2,718 million, representing a year-on-year reduction of -21.4% in local currency (-18.7% in Hong Kong dollar terms). This decline in operating expenses brings down the OPEX-to-sales ratio to 48.7%, which is in line with our guidance of below 50%. The table below sets forth the breakdown of OPEX by major OPEX items.

	For the year ended 30 June			
	2014	2013	Change in %	
	HK$ million	HK$ million	HK$	Local currency
Staff costs	**3,851**	4,216	-8.7%	-11.5%
Occupancy costs	**3,585**	3,726	-3.8%	-6.5%
Logistics expenses	**1,317**	1,453	-9.3%	-13.4%
Depreciation	**833**	866	-3.7%	-7.1%
Marketing & advertising expenses	**792**	1,027	-22.9%	-26.0%
Impairment of property, plant and equipment	**80**	346 *	-76.9%	-77.6%
Impairment of goodwill	**–**	1,996 ^	-100.0%	-100.0%
Additional provision for store closures and leases	**106**	426 #	-75.1%	-75.5%
Other operating costs	**1,231**	2,951	-58.3%	-60.0%
Total OPEX	**11,795**	17,007	-30.6%	-32.9%

* FY12/13 figure includes impairment of property, plant and equipment for store closures and stores with onerous leases totaling HK$102 million
^ FY12/13 figure represents impairment of China goodwill
# FY12/13 figure includes provision for store closures and stores with onerous leases announced in FY12/13 totaling HK$396 million

Savings were achieved across all expense lines, with most noticeable declines in the following OPEX items:

- **Staff costs** – Staff costs of HK$3,851 million registered a decline of -11.5% in local currency, which was largely in line with a -10.3% reduction in the number of employees to 9,626 (2013: 10,732) due to our efforts to streamline the Group's organizational structure and our decision to close highly unprofitable retail space.

- **Occupancy costs** – Approximately 92% of occupancy costs were attributable to our retail operations (2013: 92%). In FY13/14, occupancy costs amounted to HK$3,585 million, representing a decline of -6.5% in local currency, which exceeded a -5.7% decrease in retail net sales area.

- **Logistics expenses** – Logistics expenses of HK$1,317 million registered a decline of -13.4% in local currency, mainly driven by the reduction of business volumes and a revised structure of the costs of our e-commerce logistic operations.

- **Marketing & advertising expenses** – Overall marketing and advertising expenses decreased considerably by -26.0% in local currency to HK$792 million. While investment in operational marketing expenses increased by +10.4% in Hong Kong dollar terms to HK$680 million (2013: HK$616 million), we substantially reduced centralized marketing expenses, primarily for branding campaigns, by -72.7% in Hong Kong dollar terms to HK$112 million (2013: HK$411 million). Once we begin to see a sound and sustainable improvement in the performance of our products and stores, we will push to drive retail space productivity through more intensive marketing and advertising efforts.

- **Other operating costs** – Other operating costs, which mainly includes IT expenses, sampling costs, legal and professional fees, traveling expenses, provisions for inventory and provisions for doubtful debt, registered a year-on-year decline of -60.0% in local currency to HK$1,231 million. This is the result of concerted efforts by employees across the entire organization to address every single expense item in the businesses. In addition, our active clearance of aged inventories and tightening of credit control resulted in a net write-back of inventory provision of HK$67 million (2013: net provision of HK$527 million) and a decrease in net provision for impairment of trade debtors of HK$136 million.

EBIT of the Group improved considerably to HK$361 million as compared to last year's EBIT loss of HK$4,170 million, with a corresponding **EBIT margin** of 1.5%. By radically reducing costs, normalizing inventory levels and overhauling operations, the Group has returned to profitability despite the decline in turnover. As we leverage the reduced cost base, the Group's EBIT margin should continue to improve when the top line is expected to recover over coming years.

Profit before taxation was HK$379 million (2013: loss before taxation of HK$4,149 million). After deducting **taxation** of HK$169 million (2013: HK$239 million), the Group recorded a **net profit** of HK$210 million as compared to a net loss of HK$4,388 million for the last financial year.

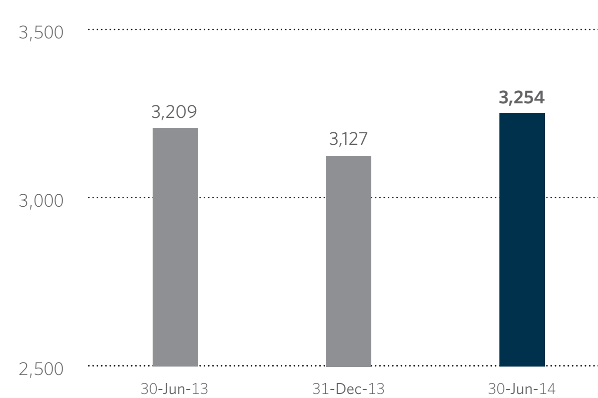
04.3 Liquidity and Financial Resources Analysis

The Group's balance sheet was further strengthened as we continued to improve our working capital management as well as cash flow generation ability.

Cash – After two consecutive years of net cash consumption (FY12/13: HK$1,594 million; FY11/12: HK$899 million excluding net proceeds from rights issue and dividend payment for respective financial years), the Group stabilized and returned to positive cash inflow generation by focusing our efforts on improving business performance and working capital management. We were able to consistently generate positive cash flow throughout the entire financial year under review. During the financial year, net cash generated from operating activities amounted to HK$1,418 million (2013: net cash outflow of HK$757 million). This positive cash generation, together with selective investment in capital expenditure for store refurbishment and new store openings, resulted in an overall increase of HK$1,120 million in the Group's **net cash position** to HK$5,771 million (30 June 2013: HK$4,651 million) as at 30 June 2014, the highest level since the end of FY07/08.

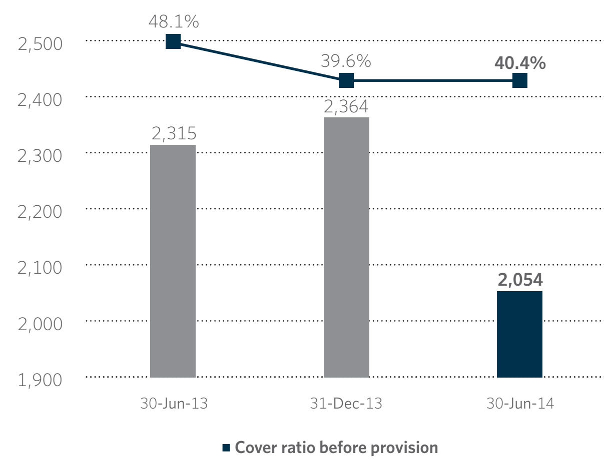
Inventories – During the financial year, the Group was able to normalize inventory levels by taking bold measures to clear aged inventories in our distribution channels and tightening control of the season's inventory through closely aligning purchases with sales levels. These initiatives have enabled the Group to successfully reduce the number of inventory units by -17.0% year-on-year. Correspondingly, inventory turnover days were also shortened to 90 days from 100 days a year ago. The Group reported a slight year-on-year increase of +1.4% in the nominal value of inventory balance to HK$3,254 million as the positive developments mentioned above were offset by a +4.4% year-on-year appreciation of the EUR/HKD closing rate to 10.580 (30 June 2013: 10.134) and decrease in provision driven by improved inventory aging.

Inventories (HK$ million)



Net trade debtors decreased by -11.3% to HK$2,054 million (30 June 2013: HK$2,315 million) mainly attributable to our efforts to tighten credit control as well as declining sales in wholesale, which was partially offset by the +4.4% appreciation of the EUR/HKD closing rate as mentioned above. The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) of 40.4% remained similar as compared to 39.6% as at 31 December 2013, but was lower than the level a year ago (30 June 2013: 48.1%) due to declining sales leading to a corresponding decline in number of customers eligible for credit insurance as compared to a year ago.

Net trade debtors (HK$ million)



Capital expenditure ("CAPEX") – While our strong balance sheet can facilitate investments in store openings and store refurbishments, each of such CAPEX proposals were vigorously reviewed with a strong focus on return on investment. Until we see a sound and sustainable improvement in the performance of our products and stores, we will continue to deploy CAPEX for retail store expansion and refurbishment in a very selective manner, limited only to projects with a meaningful return on investment. As a consequence, our investment in CAPEX recorded a year-on-year decrease of -HK$544 million or -59.2% to HK$375 million (2013: HK$919 million) in FY13/14. Additionally, following the successful completion of two major infrastructure projects at the end of FY12/13, namely the SAP system and the new European distribution center, there was also a noticeable year-on-year decline in CAPEX for IT projects, office and others.

	For the year ended 30 June	
HK$ million	**2014**	2013
Retail stores	**194**	557
IT projects	**78**	203
Office & others	**103**	159
Purchase of property, plant and equipment	**375**	919

Total interest bearing external borrowings amounted to HK$260 million (30 June 2013: HK$520 million) which represented the last instalment of the bank loan used to finance the acquisition of the remaining interest in the China Joint Venture in 2009. The loan is denominated in Hong Kong dollars, unsecured and subject to floating interest rates, and due for repayment in February 2015. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

Foreign exchange risk management

The Group uses foreign currency contracts to mitigate risk, hedge transactions and manage the Group's asset and liabilities.

The Group faces foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. As a majority of the Group's suppliers in Asia quote and settle in US dollars, the Group enters into foreign currency forward contracts with reputable financial institutions to hedge against such foreign exchange risks.

Human resources

As at 30 June 2014, the Group employed over 9,600 full-time equivalent staff (30 June 2013: over 10,700) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's newsletters and global intranet.

Dividend

The Board maintains the dividend payout ratio of 60% of basic earnings per share. The Board is pleased to recommend the distribution of a final dividend of HK$0.04 per share (FY12/13: nil) for the year ended 30 June 2014 to the shareholders of the Company (the "Shareholders") whose names appear on the registers of members of the Company at 4:00 pm on Thursday, 11 December 2014. Shareholders will be provided with an option to receive the final dividend wholly or partly in form of new fully paid shares of the Company in lieu of cash ("Scrip Dividend Reinvestment Scheme"). Such new shares so issue will rank pari passu in all respect with the existing issued shares in the capital of the Company.

The dividend reinvestment price shall be determined by the average closing price of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days immediately preceding Tuesday, 9 December 2014. The Scrip Dividend Reinvestment Scheme is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting of the Company (the "Annual General Meeting") and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares of the Company to be issued under the Scrip Dividend Reinvestment Scheme.

In the event that the resolution in relation to the final dividend is approved by the Shareholders at the Annual General Meeting, a circular containing details of the Scrip Dividend Reinvestment Scheme and an election form (where applicable) will be despatched to the Shareholders on or around Friday, 19 December 2014.

Subject to the approval of Shareholders at the Annual General Meeting and the Listing Committee's granting the listing of, and permission to deal in, the new shares of the Company, dividend warrants and shares certificates for the new shares will be despatched to the Shareholders by ordinary mail at their own risk on or around Tuesday, 27 January 2015.

04.4 Focus and Priorities in FY14/15

With the relevant progress made in FY13/14, we begin the new financial year in a stronger position. In parallel with the short term stabilization initiatives, we also made good progress in the Transformation of our business in order to recover Esprit's competitiveness. After twelve months of collective efforts and intense training on new processes, the Group is pleased to report that the new vertically integrated business model, which is the basis of our strategy to significantly enhance our ability to produce outstanding value for money products, has been activated effective July 2014. Hopefully, our customers are beginning to see and feel the tangible benefits of the changes we have made and will continue to make. The Group is confident that such improvements will, in time, be evident in our financial results.

Looking ahead to FY14/15, we expect to stabilize the controlled space development in our retail channel, while reducing the rate of decline of controlled space in our wholesale channel. In terms of stores' space productivity (sales per sqm), we aim to maintain it at a stable level during the Transformation phase. As a consequence, the Group's top line is expected to decline in accordance with the decline in controlled space. Nonetheless, volatility is expected during the year due to the multiple changes in the Transformation phase.

Gross profit margin is expected to increase slightly as the Group will actively protect the profitability of its product lines by continually implementing improvements in our supply chain management.

While it will likely be necessary to increase spending in certain areas in order to secure the successful implementation of the changes associated with the Company's Transformation (e.g. IT), we aim to maintain total OPEX at a similar level to last year. In the longer run, the healthier cost base achieved in the past year will enable us to generate further leverage when the top line recovers.

Investment in capital expenditure will remain selective but will increase compared to last year as we accelerate our store refurbishing plans.


SEE HER STORY AT ESPRIT.COM

05

CORPORATE SOCIAL RESPONSIBILITY

05 Corporate social responsibility

Introduction

Esprit has always been focused on social, environmental and ethical matters as a core part of our DNA. For us, sustainability means creating high quality fashion that lasts and that our consumers can enjoy for a long time; we also make sure our products are produced in ways that respect the environment and everyone involved in the process. To ensure this, we strive to be a fair partner for our suppliers, a caring employer for our staff and a responsible company to our stakeholders, while supporting the communities around us. Since the early 90's, our motto has been and remains "Be informed, be involved, make a difference!"

Our commitments include creating sustainable products, fostering a sustainable environment for future generations to enjoy, developing and supporting our people, and respecting laws, regulations and standards.

These commitments are driven by our senior management team and our Board, and form the core underlying principles for the way we conduct business on a daily basis. These principles are embedded into everyday decision making across the entire Company at all levels. Esprit is determined to address social and environmental challenges by identifying priorities and striving for continuous progress in a step-by-step manner.

The following pages outline specific actions undertaken by the Group in FY13/14 to further our journey to sustainability.

Social compliance

Our Values

Esprit strives to conduct its business in accordance with the highest ethical, social and ecological standards. As a global company, Esprit takes its responsibility very seriously in offering our customers ethically produced merchandise. We strive to ensure that Esprit's products are manufactured under conditions where workers are treated fairly, safely and with respect, taking into account local laws and international standards (including anti-corruption regulations).

Our core social beliefs are:
- No child labor
- No forced labor
- Safe and healthy working conditions
- Fair and legal compensation
- No involuntary or excessive overtime
- No illegal or disciplinary deductions from wages
- Strict adherence to local laws and regulations
- No workplace discrimination
- Minimized damage to the environment

Esprit puts special focus on ensuring that children are not involved in the manufacture of our products. If underage workers are found to be employed either directly or indirectly by our suppliers, we require the supplier to seek an appropriate and satisfactory solution to resolve the situation whilst encouraging the underage workers to return to and remain in school.

Our Partnerships

Esprit recognizes that partnerships are vital to increasing the impact of our work and to achieving the systemic changes necessary to improve working conditions globally. We maintain informal contact with a wide range of stakeholders, and focus our efforts on three formal multi-stakeholder initiatives that give structure to our program, thereby extending its reach.

BUSINESS SOCIAL COMPLIANCE INITIATIVE – (BSCI)
Esprit started its Social Compliance Program in 2005 by joining the Business Social Compliance Initiative (BSCI). The BSCI was launched in 2003 as an initiative of the Foreign Trade Association (FTA) in response to increasing demand for more transparent and improved working conditions in the global supply chain. The BSCI unites over 1,300 companies around one common Code of Conduct and supports them in their efforts towards building an ethical supply chain by providing a step-by-step, development-oriented system that is applicable to all sectors and all sourcing countries. The BSCI provides Esprit with core social compliance standards based on International Labor Organization (ILO) standards, an audit protocol and structure, as well as independent third party audits that supplement Esprit's internal audit system. In May 2014, Esprit was elected to the BSCI Steering Committee.

More information about the BSCI can be found at http://www.bsci-intl.org/.

BETTER WORK
In late 2013, Esprit became a 'Better Work' Global Buyer Partner to support and improve workplace conditions in our supplier factories in Vietnam, Indonesia and Cambodia. Better Work is the collaboration between the ILO and the International Finance Corporation (IFC) that brings governments, employers, workers and international buyers together, to improve compliance with labor standards and to promote competitiveness in global supply chains.

More information about Better Work can be found at http://www.betterwork.org/.

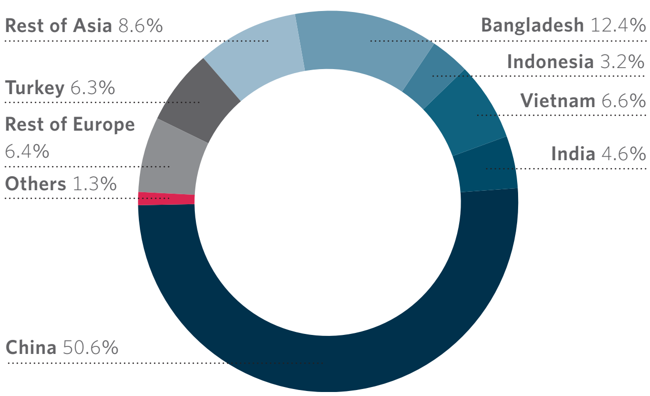
THE BANGLADESH ACCORD ON FIRE AND BUILDING SAFETY
Following the series of factory disasters in Bangladesh in 2012 and 2013, a great deal of global attention focused on the need to improve fire and structural safety in the country's factories. Although Esprit was not directly affected by the disasters, we recognize the need and opportunity to bring systemic improvements to the Bangladeshi apparel industry, and were among the first signatories to the Bangladesh Accord on Fire and Building Safety, which now has 186 members.

The aim of the Accord is to implement a thorough fire and building safety program in all member factories in Bangladesh, thereby creating a safer working environment for over 2 million workers in 1,500 factories. The first Accord audit in an Esprit supplier factory was conducted in November 2013. The audits have continued since then, and Esprit expects all of our factories to have been audited for structural and fire safety by late autumn 2014. Following the completion of each audit, Esprit will work with the factory's management and other Accord member brands in the factories concerned, to develop a plan to address any problems found. Esprit is also implementing a program to ensure that workers in each factory understand the Accord audit process and the findings outlined in their employer's Accord audit reports.

More information about the Bangladesh Accord, as well as the Accord's audit reports, is available at http://www.bangladeshaccord.org/.

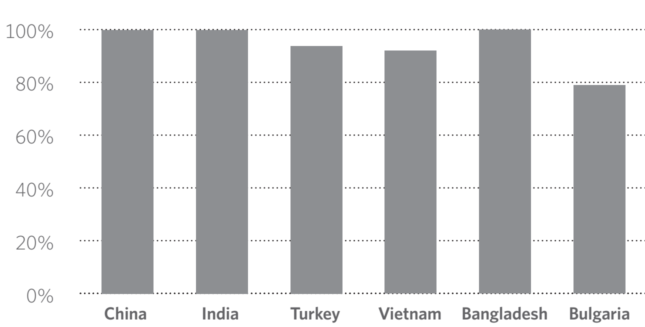
Our Work
Esprit is a global brand, with a supply chain that thoroughly reflects our broad reach. In FY13/14, Esprit sourced products from 28 countries throughout Asia, Europe and Africa.

FY13/14 Supplier Countries by Total Manufacturing FOB



Esprit's social compliance team consists of ten full-time staff based in Hong Kong, Shanghai, Dhaka and Istanbul. The team oversees our commitments as members of the BSCI and Better Work, and also endeavours to visit each supplier at least once a year, either to conduct internal compliance audits, to provide training or to facilitate improvements on issues found in other audits. While auditing is an important part of the team's job, audit alone does not bring about the improvements we seek. Therefore, the key functions of the team are also to work with suppliers and vendors to implement corrective actions, and to ensure that the suppliers show progress and improvements from one audit to the next. During FY13/14, social compliance audits were conducted either by, or on behalf of, Esprit at 577 points of fabrication (POFs), comprising 96% of Esprit's active POFs. Whenever non-compliance issues are found in a supplier, Esprit first seeks improvement before considering other action. Unfortunately, we had to discontinue three suppliers during the year due to poor working conditions that their respective factory management failed to address adequately.

Percentage of Active Suppliers Audited in FY13/14 by Country



The most common non-compliance issues found during compliance audits include:

- Inconsistencies between compensation policies and wage calculation/incorrect wage calculation
- Inconsistencies between payroll, attendance and production records
- Inconsistencies between factory policies and information obtained in worker interviews
- Work hours in excess of 60 hours per week as per ILO standards, including regular and overtime hours
- Failure to provide one day off over a seven day period as per ILO and BSCI standards
- Inadequate first aid supplies on factory floors
- Inadequate machine safety (e.g. missing safety guards, etc.)
- Poor emergency procedures in place (e.g. fire safety, emergency evacuation, etc.)
- Poor handling and disposal of hazardous chemicals
- Lack of written and enforced policies on discrimination such as related to race, gender, marital status, union or political affiliation and sexual orientation, as well as policies governing maternity leave and dormitory rules.

Environmental aspects

We are committed to creating sustainable products and to fostering a sustainable environment by conserving our resources and sourcing our materials, where possible, through environmentally conscious means. Our products undergo a variety of tests and must comply with a number of security measures throughout the product development and manufacturing process. All products identified as non-compliant in the final quality inspection are either recycled, if possible, or destroyed.

Esprit is committed to ensuring that animal fibres, where used, are sourced responsibly and as per the highest possible levels of animal welfare standards. As such, all animal fibres we use are by-products of the global food-chain. Since 2012, Esprit has banned the use of surgical mulesed wool and live-plucked feathers in our products. Furthermore, as a direct response to reports of live-plucking within the angora wool supply chain, Esprit immediately discontinued the sourcing of angora wool as of November 2013. The ban on the sourcing of angora wool will remain in place until proper controls and transparency can be established within the angora wool supply chain to ensure good animal husbandry practices.

While there is much progress to be made, we believe that we have taken significant actions to move our company forward in our journey towards sustainability. Our collaborations with our partners are crucial in helping us to achieve our goals.

Our Partnerships

SUSTAINABLE APPAREL COALITION (SAC) AND THE HIGG INDEX
The Sustainable Apparel Coalition (SAC) is focused on creating and implementing an index to measure the environmental and social performance of apparel and footwear products, with the aim to improve working and living conditions in the world's sourcing and selling markets. Esprit's involvement with the SAC continued in FY13/14 as we collaborated with our industry peers and supply chain partners to achieve transparency throughout the full product lifecycle. In November 2013, the SAC launched the second version of its sustainability tool "The Higg Index", making it easier to track our own sustainability performance, as well as that of our suppliers, in terms of the social and environmental impact of our products. The SAC represents more than a third of the global apparel and footwear industry and was formed by leading apparel and footwear brands, retailers, suppliers, non-profit organizations and NGOs to address current social and environmental challenges.

More information about the SAC and its Higg Index is available at http://www.apparelcoalition.org/.

ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)
In FY13/14, Esprit continued to strive towards eliminating hazardous chemicals from the apparel supply chain. As a member of the Zero Discharge of Hazardous Chemicals (ZDHC) Group, Esprit shares a common goal to fully eliminate certain hazardous chemicals from the textile supply chain by the year 2020.

Alongside the Restricted Substances List (RSL) – which are harmful substances banned for use in our end products – Esprit has established a joint Manufacturing Restricted Substances List (MRSL) to not only prohibit the use of harmful substances in our end products, but to also avoid their use in the supply chain altogether. We aim to work closely with our suppliers to educate and encourage them to switch to a greener chemistry. In this context, ZDHC provides the ideal platform to bring about real change through a shared commitment of establishing improved standards of environmental performance within the global apparel and footwear industry.

To initiate the process within Esprit's own supply chain, in early 2013, we selected a representative sample of key fabric vendors within our supplier network and tested the waste water discharge from their mills for harmful substances. Our findings showed that in some instances, the chemical waste water leaving the factories was cleaner than the in-take water they started with. For the most part, pollution levels in the discharged waste water tested were found to be within legal limits of both China and the European Union (EU). To provide context for the analysis of the results, we have included the legal limits of chemicals allowed in drinking water under the EU and World Health Organization (WHO) guidelines, where possible.

Based on our findings, we have taken immediate action where required, and while the results of our tests were much better than we expected, they highlight the 'Hotspots' where we need to work alongside our supply partners to research alternative chemistry and phase out any chemicals of concern. To see results, please visit *http://www.esprit.com/press/Wastewater_Discharge_Results_v2.pdf.*

More information about the ZDHC is available at http://www.roadmaptozero.com/.

AFIRM GROUP
Esprit is a member of the AFIRM Group, with whom we work closely to reduce the use and impact of harmful substances in the apparel and footwear supply chain. The purpose of the AFIRM Group is to provide a forum to advance the global management of restricted substances in apparel and footwear, communicate information about the RSL to the supply chain, discuss concerns and exchange ideas for improving RSL management.

More information about the AFIRM Group is available at http://www.afirm-group.com/.

TEXTILE EXCHANGE
Esprit is a member of Textile Exchange, a not-for-profit organization founded in 2002, formerly known as Organic Exchange. Textile Exchange operates internationally and is committed to the development of textile sustainability across the global textile value chain. The mission of Textile Exchange is to inspire and equip people, companies and organizations to accelerate sustainable practices in the textile value chain, minimizing any harmful impact to the global textile industry, while maximizing the positive effects.

More information about the Textile Exchange is available at http://textileexchange.org/.

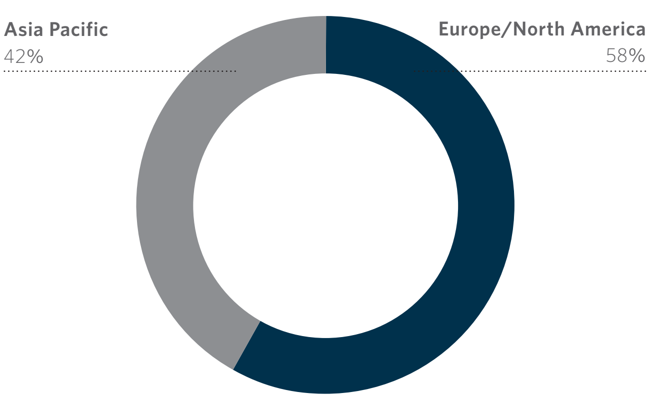
FUR FREE RETAILER PROGRAM
Esprit is a Fur Free Retailer and a member of the Fur Free Retailer Program. The program is an international initiative designed to provide consumers with accurate information about a retailer's fur policy, allowing customers to make an informed choice when shopping. It aims to further the spirit of ethical consumerism.

More information about the Fur Free Retailer Program is available at http://www.furfreeretailer.com/.

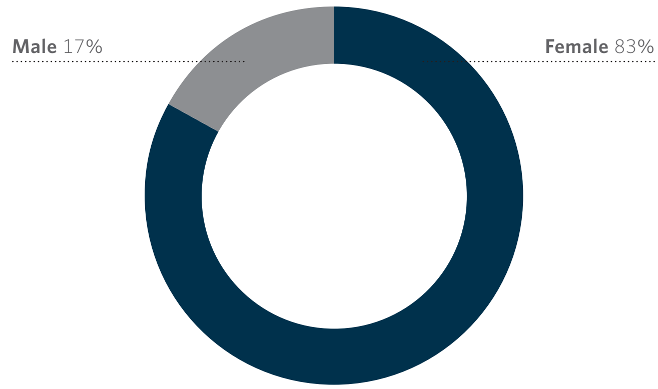
Employees

Our people are our most valuable and important asset, as our long term success hinges on talented people and an engaged work force. Esprit is committed to developing and supporting our people; we strongly believe in providing training and opportunities to our employees to further their career paths. The charts below show the global distribution of our employees across a number of categories: region and country, female and male, permanent contract and temporary contract, and part-time and full-time.

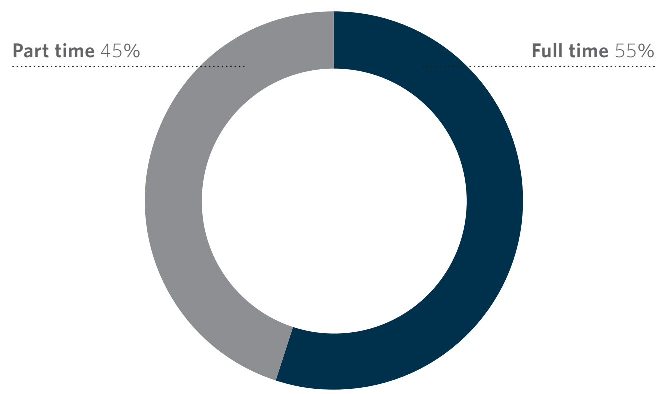
Employees by Region in FY13/14



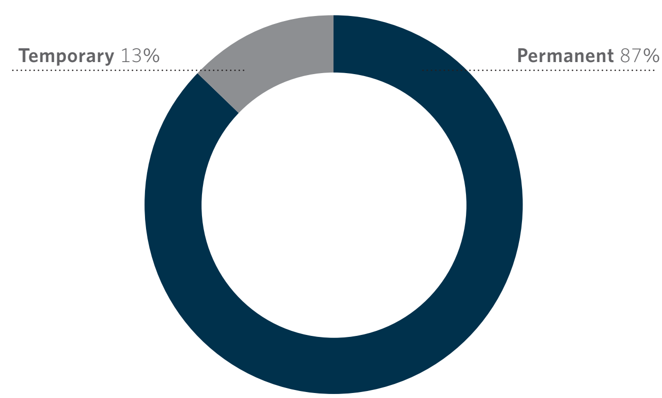
Share of Female Employees in FY13/14



Share of Full Time vs Part Time Employees in FY13/14



Share of Employees with Permanent Contracts in FY13/14



Given our special emphasis on the importance of comprehensively training our employees, we invest in a variety of apprenticeship and trainee programs every year to provide our well-qualified and talented individuals with long-term prospects and exciting challenges.

Apprenticeships

Esprit offers apprenticeships aimed at training young professionals as well as individuals who lack a tertiary education. We update our training concepts on a regular basis and appoint qualified instructors to better train and prepare our apprentices for the corporate world.

Trainee Program

Esprit's Trainee Program is a diverse and challenging one-year training program offering the perfect opportunity for graduates and young professionals to start a fascinating career in a successful global lifestyle company.

Training for Professionals

Esprit offers internal training in the fields of management, communication and work methodology to all employees at our Ratingen headquarters and our showrooms. The aim is to not only strengthen and extend our employees' skills, but also to promote teamwork within our organization.

Charities

Throughout FY13/14, Esprit employees from all over the world devoted their time and resources to support those in need. Every action counts: our works council and HR department raffled concert tickets at our headquarters in Ratingen, Germany for the benefit of a local children's hospice, while our kids and footwear department teams organized shoe donations for children in Romania. Many ideas for charity initiatives come from our own staff and we strongly encourage our employees all over the world to become engaged in these activities. Additional examples of these initiatives include:

Philippines Typhoon

In November 2013, a powerful typhoon hit the Philippines, tragically changing the lives of thousands of people. In an effort to support the victims, Esprit collected donations among all employees globally through fundraising and a sample sale. The total amount of employee donations received was matched by Esprit, resulting in €108,522 in aid raised for the victims of this natural disaster. We also partnered with World Vision to help provide shelter, food and medical care to more than 500,000 children and their families.

In addition, Esprit partnered with Kusog Tacloban, a group that supports volunteers who wish to help in the relief effort. Esprit donated brand-new intimate apparel, which was distributed to disaster victims by Kusog Tacloban as part of an outreach program on men's and women's health issues.

UN Women

Esprit Australia continued its support of United Nations (UN) Women on International Women's Day, which is celebrated on 8 March every year. The campaign features unique and practical products available for purchase as part of an exclusive purple collection. Each item for sale holds a swing tag that corresponds to a dollar donation amount, and 100% of the dollar donations received ($10, $20 or $30) go directly towards UN projects that help to lift women out of poverty through empowerment and gender equality.

Pink Ribbon Walk

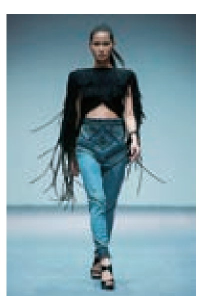
In September 2013, Esprit participated in the Pink Ribbon Charity Walk, an event that promotes breast cancer education and prevention as well as supports women suffering from breast cancer. Esprit participated in this 4km distance walk with a team of 20 employees to demonstrate solidarity with women and their families who have been affected by breast cancer. We also supported the voluntary team leaders of the event with gift cards. The team intends to sign up for the event again this year.

Cup of Kindness Charity Day

In September 2013, the Esprit Cares Trust sponsored the Hong Kong Golf Club's "Cup of Kindness Charity Day" which supports a variety of community outreach programs such as the Home of the Loving Faithfulness and the Po Ching Home for the Aged Women. The event raised HK$2.27 million with the main beneficiary being The Home of Loving Faithfulness, an organization that houses and supports severely mentally and physically handicapped young people.

Fostering talent

EcoChic Design Award 2013 – Merging sustainability and design
The scope of our fourth EcoChic Design Awards this year expanded to include contestants from Mainland China, Hong Kong, Taiwan, Singapore, the United Kingdom, France, Belgium and Germany. The finalists, Alex Law, Catherine Hudson, Dai Xinyan, Louise de Testa, Thelma Chiang Zong Jin, Karen Jessen, Ng Swee Yee and Clémentine Sandner impressed the judges with their creative application of sustainable design techniques, which incorporate zero-waste, up-cycling and reconstruction. The talented design winner of 2013 was Karen Jessen from Germany. We welcome Karen as an emerging designer, who will provide a fresh perspective for Esprit's design team. As one of the world's most well-known fashion brands, we have combined our product development and distribution capability with Karen's innovation to bring these sustainable fashion designs to market. The Esprit Recycled Collection in collaboration with Karen Jessen will be available in select stores globally at the end of September 2014.



ESMOD Berlin – Taking a holistic approach to design
With Esprit as its key partner, the innovative Master's program at ESMOD Berlin focuses on sustainability in fashion, and takes a holistic and interdisciplinary approach to design based on ecologically, ethically, socially and economically sustainable practices. Students have the opportunity to practically apply their designs under the guidance of Esprit's design team, providing a unique and exciting opportunity to develop their skills with immediate feedback from one of the leading manufacturers in the global fashion industry. The collaboration with ESMOD, a university that understands and embraces the ethos of sustainable design, enables Esprit to share its knowledge of sustainable design and influence the designers of tomorrow.

Sustainability with Esprit

Veggie Day
Veggie Day takes a step towards promoting sustainability through the reduction of meat consumption. The production of animal products compared to plant foods has a much higher environmental and climatic impact, while plant foods produce significantly less climate-damaging greenhouse gases. As such, we have launched Veggie Day, observed one day a month in our headquarters in Ratingen, Germany, when only vegetarian meal options are served in our organically-certified staff canteen. Since April 2005, our staff canteen has been serving high quality and delicious meals, 60% of which are, on average, organic and use organic spices and eggs. Esprit hopes to set an example with our successful staff participation in the Veggie Day initiative.

Culture Club
An additional initiative that is unique to Esprit is our "Culture Club", which incentivizes staff through a bonus scheme to participate in local sports and culture leisure activities such as enrolling in sports and language courses, as well as going to the theatre, concerts, cinemas, museums, circuses, fairs and art exhibitions.

Sustainability Action Week
For the second year running, Esprit organized an internal Sustainable Action Week for all our staff. During the course of this week, employees from all over the world receive news about various topics related to sustainability, and are encouraged to participate in global and local initiatives. We strongly believe that if each and every one of our employees contributes even a little to help in achieving a sustainable environment, together, we will be able to accomplish a lot.


Christina Dean
SEE HER STORY AT ESPRIT.COM

06
CORPORATE GOVERNANCE

06.1 Corporate governance report

Esprit is committed to achieving high standards of corporate governance. The Esprit Corporate Governance Code was adopted by the board of directors (the "Board" or the "Director(s)") of the Company aiming at providing greater transparency, quality of disclosure as well as more effective risk management and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. We believe our commitment in high standard practices will translate into long-term value and ultimately maximizing returns to shareholders. Management pledge to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner.

Ownership structure

The Company is publicly owned with no controlling shareholder present. This ownership structure minimizes any conflicts of interest.

Protecting shareholders' value

The Board's primary role is to protect and enhance long-term shareholders' value. It focuses on the Group's overall strategic policy, monitors performance and provides proper supervision to ensure proper business conduct and effective management of the highest quality. The Board views that the collective and individual responsibilities of the Directors to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated are important.

Composition of the Board

The Directors of the Company during the financial year and up to the date of this report are:

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ (Group Chief Executive Officer)
Thomas TANG Wing Yung (Group Chief Financial Officer)

Non-executive Director

Jürgen Alfred Rudolf FRIEDRICH

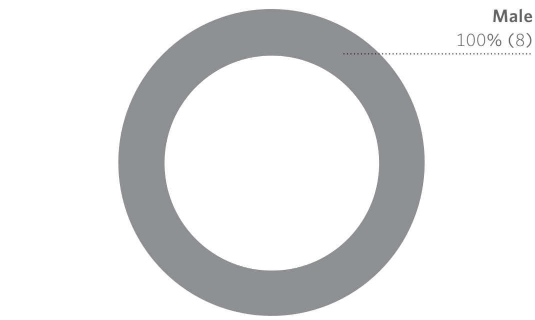
Independent Non-executive Directors

Raymond OR Ching Fai (Chairman)
Paul CHENG Ming Fun (Deputy Chairman)
Alexander Reid HAMILTON
Carmelo LEE Ka Sze (appointed with effect from 25 July 2013)
Norbert Adolf PLATT
Eva CHENG LI Kam Fun (resigned with effect from 30 June 2014)

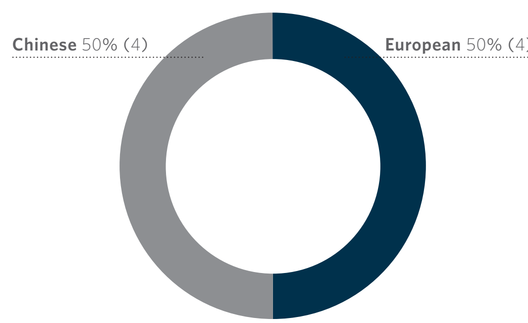
Board diversity

The Board has adopted a board diversity policy ("Board Diversity Policy") setting out the approach to achieve diversity on the Board with the aims of enhancing the quality of its performance and ensuring orderly succession for appointments. The Company considers aspects of board diversity including but not limited to gender, age, ethnicity, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the individual will bring to the Board.

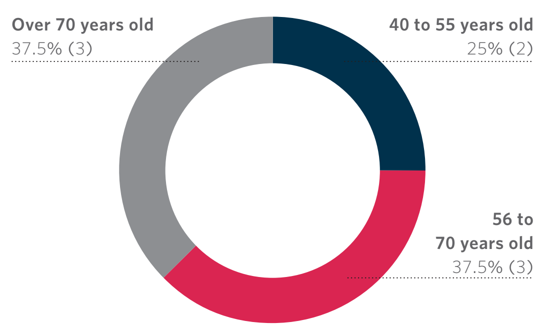
Gender



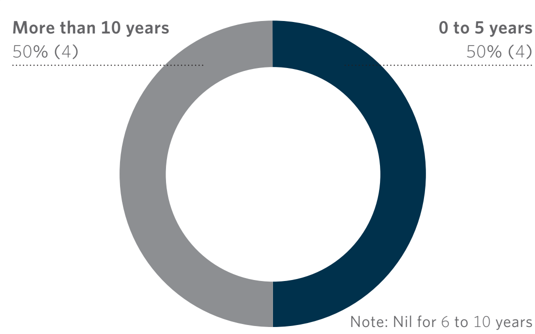
Ethnicity



Age



Length of service



Note: () denotes number of Directors

The Directors come from diverse business and professional backgrounds appropriate to the requirement of the business of the Company.

The Board endeavours to support the expansion of the Board membership by identifying appropriate candidates who will bring further skills, insights and value to the business so that we have a well balanced composition of Executive Directors and Non-executive Directors.

Meetings attended/held

The attendance of individual members of the Board at the Board, Board Committees and general meetings during the financial year ended 30 June 2014 is set out in the table below:

Directors	Board	Non-executive Directors	Audit Committee	Nomination Committee	Remuneration Committee	General Committee	Annual general meeting
Executive Directors							
Jose Manuel MARTINEZ GUTIERREZ	5/5				5/5	20/20	1/1
Thomas TANG Wing Yung	5/5					20/20	1/1
Non-executive Director							
Jürgen Alfred Rudolf FRIEDRICH	4/5	1/1	3/4		4/5		0/1
Independent Non-executive Directors							
Raymond OR Ching Fai (Chairman)	5/5	1/1		1/1			1/1
Paul CHENG Ming Fun (Deputy Chairman)	5/5	1/1		1/1	5/5		1/1
Alexander Reid HAMILTON	5/5	1/1	4/4	1/1			1/1
Carmelo LEE Ka Sze (appointed with effect from 25 July 2013)	5/5	1/1			3/3		1/1
Norbert Adolf PLATT	5/5	1/1	3/4		5/5		1/1
Eva CHENG LI Kam Fun (resigned with effect from 30 June 2014)	3/5	0/1	3/4		4/5		1/1

Directors' responsibilities for the consolidated financial statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 30 June 2014, to ensure that they give a true and fair view of the state of affairs of the Group and of its profit and cash flows for that financial year. In reviewing the consolidated financial statements for the year ended 30 June 2014, the Directors are satisfied that management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on the going concern basis.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Clear distinction between the responsibilities of the Board and management

The Board oversees the overall management of the Group, including oversight of the Group's operations, whilst allowing management substantial autonomy to run and develop the business.

Decisions reserved for the Board are mainly related to:
- The long-term objectives and strategy of the Group;
- Monitoring the performance of management;
- Ensuring that a framework of prudent and effective internal controls is in place to enable risks to be assessed and managed;
- Monitoring the quality and timeliness of external reporting;
- Monitoring the policies and practices on the compliance with applicable laws and regulations; and
- Approving the Company's policies and practices on corporate governance.

During the financial year, the Board reviewed and updated the Esprit Corporate Governance Code, reviewed the effectiveness of the internal control system within the Group and the Company, and reviewed the Company's compliance with Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as well as the disclosure in the Company's Corporate Governance Report.

Chairman and Group Chief Executive Officer

The role of the Board's Chairman is to provide leadership in order to enable the Board to discharge its function effectively, while the Group Chief Executive Officer focuses on managing and controlling the business of the Group. The roles of the Board's Chairman and the Group Chief Executive Officer are clearly outlined to ensure there is a key distinction between the two positions and are exercised by different individuals.

Board independence and effectiveness

The majority of the Board consists of Independent Non-executive Directors with not more than one-third being Executive Directors. In addition, all the Directors bring a wealth of experience and no controlling shareholder is present on the Board ensuring decisions are made fairly and without conflicts of interest.

The Company has received confirmation of independence from each Independent Non-executive Director as set out in Rule 3.13 of the Listing Rules and continues to consider each of them to be independent. In assessing the independence of the Independent Non-executive Directors, the Nomination Committee and the Board would consider the character and the judgement demonstrated by the Director's contribution to the Board during the years of services, the relationship with the Group other than being a Director, the past and present directorships and important appointments of the Director outside the Group. Further appointment of an Independent Non-executive Director who serves more than nine years shall be subject to a separate resolution to be approved by the shareholders.

Non-executive Directors

Non-executive Directors of the Company have not been appointed for a specific term. Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. However, under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company ("AGM") and each Director is effectively appointed under an average term of not more than three years.

Directors' securities transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. The Company has made specific enquiry with all Directors and all of them confirmed that, for the financial year ended 30 June 2014, they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

Furthermore, the Company has established written guidelines in respect to securities transactions by the Directors and relevant employees to ensure there are no improper dealings.

Continuous professional development

Each newly appointed Director receives comprehensive, formal and tailored induction program to ensure that he/she has an overview of the business and operations of the Group and a proper understanding of the Esprit Corporate Governance Code, his/her responsibilities and obligations under the Listing Rules and applicable laws and regulatory requirements. During the financial year, induction program was given to Mr Carmelo LEE Ka Sze who was appointed as Director on 25 July 2013.

Continuous professional development programs are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. All Directors were provided with Esprit news, monthly updates, research reports and other reading materials of the Group's business and the industry and regulatory environments in which the Group operates. The Company also arranged and funded a seminar on 20 February 2014 which covered topics including cyber security, sustainability reporting and fraud risk management.

Participation in Director's continuous professional development program during the financial year are summarized as follows:

	Reading regulatory updates and directors' duties	Reading materials relating to business and industry	Attending professional briefings/ seminars/ conferences relevant to directors' duties, regulatory updates and business
Executive Directors			
Jose Manuel MARTINEZ GUTIERREZ	✓	✓	✓
Thomas TANG Wing Yung	✓	✓	✓
Non-executive Director			
Jürgen Alfred Rudolf FRIEDRICH	✓	✓	✓
Independent Non-executive Directors			
Raymond OR Ching Fai	✓	✓	✓
Paul CHENG Ming Fun	✓	✓	✓
Alexander Reid HAMILTON	✓	✓	✓
Carmelo LEE Ka Sze[1]	✓	✓	✓
Norbert Adolf PLATT	✓	✓	✓
Eva CHENG LI Kam Fun[2]	✓	✓	✓
Company Secretary			
Florence NG Wai Yin	✓	✓	✓

Notes:
1. Mr Carmelo LEE Ka Sze was appointed with effect from 25 July 2013.
2. Mrs Eva CHENG LI Kam Fun resigned with effect from 30 June 2014.

Board committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established four Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the General Committee. Terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the Company's website and HKExnews website. The terms of reference are updated from time to time with reference to best corporate governance practices in the market and the Listing Rules. A summary of the membership and responsibilities and duties of each committee performed during the year is included below.

Audit Committee

Members
Alexander Reid HAMILTON (Chairman)
Jürgen Alfred Rudolf FRIEDRICH
Norbert Adolf PLATT
Eva CHENG LI Kam Fun (resigned with effect from 30 June 2014)

Responsibilities includes, amongst other things, the following:

- Provide an independent review of the effectiveness of the financial reporting process including the adequacy of the resources, qualifications, experience of staff of the accounting and financial reporting function, and their training programs and budget;
- Review of the internal control procedures, including the whistleblowing arrangements, and risk management systems;
- Review of financial information of the Company;
- Oversee the audit process and the Company's relations with the external auditors; and
- Perform other duties as assigned by the Board.

The Company has an Audit Committee currently comprising three Non-executive Directors, two of whom are independent. The Audit Committee met four times during the year. The attendance record of the Audit Committee members is recorded in the "Meetings attended/held" section above. The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. The Audit Committee also has established a whistleblowing policy and system. Our Group Chief Financial Officer, external auditors, internal auditors and senior management are invited to attend the meetings to answer questions raised by the Audit Committee.

Duties performed during the year includes, amongst other things, the following:

- Reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the quarterly trading updates, interim results and annual results of the Group for the year ended 30 June 2014;
- Reviewed the nature, scope and findings of internal and external audits, and the Company's treasury activities, tax issue and liquidity and risk management;
- Reviewed the three-year audit plan for FY13/14, FY14/15 and FY15/16; and
- Conducted three-year high level risk assessment testing and update.

Audit, control and risk management

A sound internal control system minimizes the Group's risk exposure while facilitating the effectiveness and efficiency of its operations. The system is independently reviewed on an on-going basis so that practical and effective control systems are implemented. Such controls aim to provide reasonable assurance in protecting material assets and in identifying, monitoring and managing risks associated with its business activities. The Group has implemented practical and effective internal control systems including:

- A tailored organizational and governance structure with clearly defined lines of responsibility;
- Effective budgeting and forecasting systems for performance measurement and monitoring of business units;
- A quarterly review of performance by the Audit Committee and the Board;
- Global protection of the Group's intellectual property rights;
- Group wide insurance programs as a measure to minimize risks; and
- A global cash management system for the enhancement of control and yield of cash assets.

In addition, the on-going risk assessment also serves as a mechanism that enables us to maintain the strength in our internal control systems.

Internal audit function

The Company's internal audit function ("Internal Audit") reports directly to the Audit Committee. Internal Audit is responsible for performing regular and systematic reviews of the internal control systems. The reviews provide reasonable assurance that the internal control systems continue to operate satisfactorily and effectively within the Group and the Company. Where specialist skills are required, Internal Audit engages an outside professional firm to assist them in their reviews. The attainment of such objectives involves the following activities being carried out by Internal Audit:

- Reviewing and appraising the soundness, adequacy and application of operational, financial, compliance and other controls and promoting effective control and risk management in the Group and the Company;
- Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- Ascertaining the extent to which the Group's and the Company's assets are accounted for, managed, and safeguarded from losses of all kinds;
- Appraising the reliability and usefulness of information for reporting to management;
- Recommending improvements to the existing systems of internal control; and
- Carrying out investigations and special reviews requested by management and/or the Audit Committee of the Company.

As an example, a High Level Risk Assessment is conducted every three years to identify and document risks and risk control measures within the Group. These risk control measures are tested annually by the Internal Audit team and findings are reported to the Audit Committee on an annual basis.

Other control and management

The Company has a code of conduct which sets out the rules applicable in matters of professional ethics, with a view to promote responsible and ethical practice in the conduct of its business. The code of conduct is made available to every employee of the Group to ensure a unified and consistent practice.

Auditors' remuneration

The Audit Committee has reviewed the fees for audit and non-audit services to the external auditors for the financial years ended 30 June 2014 and 2013. A summary of which is as follows:

	2014 **HK$ million**	2013 HK$ million
Nature of the services		
Audit services	**14**	15
Other services	**2**	3
	16	18

Nomination Committee

Members
Raymond OR Ching Fai (Chairman)
Paul CHENG Ming Fun
Alexander Reid HAMILTON
Carmelo LEE Ka Sze (appointed with effect from 10 September 2013)

Responsibilities includes, amongst other things, the following:

- Review and recommend the structure, size and composition of the Board;
- Review and monitor the implementation of Board Diversity Policy to ensure its effectiveness;
- Identify and recommend individuals suitably qualified to become Board member(s), selection of candidates for nomination to the Board will be based on the aforesaid aspects of diversity;
- Assess the independence of Independent Non-executive Directors;
- Recommend to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors;
- Keep under review the leadership needs of the organization with a view to ensuring the Company can compete effectively in the market place; and
- Make recommendations concerning membership of the Audit Committee, the Remuneration Committee, the Nomination Committee and the General Committee.

The Nomination Committee currently comprises three Independent Non-executive Directors. The Nomination Committee met once during the year. The attendance record of the Nomination Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the year

- Reviewed the structure, size and composition of the Board;
- Assessed the independence of the Independent Non-executive Directors; and
- Formulated the Board Diversity Policy and recommended it to the Board for adoption and approval. More information on the diversity of the Board is set out in the "Board diversity" section above.

Remuneration Committee

Members
Paul CHENG Ming Fun (Chairman)
Jose Manuel MARTINEZ GUTIERREZ
Jürgen Alfred Rudolf FRIEDRICH
Carmelo LEE Ka Sze (appointed with effect from 10 September 2013)
Norbert Adolf PLATT
Eva CHENG LI Kam Fun (resigned with effect from 30 June 2014)

Responsibilities includes, amongst other things, the following:

- Recommend to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- Determine specific remuneration packages of all individual Executive Directors and senior management;
- Review and approve the compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and those for dismissal or removal of Directors for misconduct;
- Recommend to the Board on the remuneration for Non-executive Directors;
- Review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;
- Review the design of share incentive schemes for approval by the Board and shareholders; and
- Ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee currently comprises four Non-executive Directors, three of whom are independent, and one Executive Director. The Remuneration Committee met five times during the year. The attendance record of the Remuneration Committee members is set out in the "Meeting attended/held" section above.

Duties performed during the year

- Reviewed and determined the remuneration packages of the Executive Directors and senior management;
- Reviewed a benchmark study of the overall compensation package of senior management conducted by an external consultant;
- Reviewed key performance indicators and targets for bonus opportunity of senior management for the year ended 30 June 2014;
- Reviewed a research report on equity remuneration for Non-executive Directors conducted by an external consultant and made recommendation to the Board; and
- Reviewed the proposal for grant of share options to eligible persons of the Company pursuant to the share option scheme of the Company.

Remuneration policy

The fundamental policy of the Group's remuneration and incentive scheme is to link total compensation of Executive Directors, senior management and employees with reference to the Board's corporate goals and objectives. Remuneration package is performance-based and takes into account business performance, market practice and competitive market conditions in order to attract, motivate and retain talent. The Remuneration Committee should consult the Chairman of the Board and/or the Group Chief Executive Officer about the remuneration proposals for other Executive Directors. The recommended remuneration package comprises salaries, bonus opportunity and long-term incentive plans.

Non-executive Directors are compensated with the aim to fairly represent their efforts and time dedicated to the Board and Board committee matters and reference is made to the level of remuneration for non-executive directors of listed companies with global operation. The recommended remuneration package comprises annual directorship fee, fee for representation on Board committees, where appropriate, chairmanship fee and share options.

General Committee

Members
Jose Manuel MARTINEZ GUTIERREZ
Thomas TANG Wing Yung

Responsibilities includes, amongst other things, the following:

Discuss, consider and approve routine corporate administrative matters of the Company such as:
- Routine administration of the 2001 Share Option Scheme and the 2009 Share Option Scheme;
- Issue of new shares upon exercise of share options granted under the share option schemes adopted by the Company;
- Implement share repurchase strategy upon approval by the Board in accordance with the delegated authority;
- Determine at the request of management any person or persons who may be regarded as "relevant employees" pursuant to the Guidelines Regarding Securities Transactions by Employees of the Company;
- Respond to routine enquiries from The Stock Exchange of Hong Kong Limited relating to the continuing obligations of the Company under the Listing Rules;
- Issue statements regarding unusual movements in price and/or trading volume of the shares of the Company; and
- Other administrative matters.

The General Committee currently comprises two Executive Directors. The General Committee met twenty times during the year. The attendance record of the General Committee members is set out in the "Meeting attended/held" section above.

Duties performed during the year

- Issuance of shares of the Company upon exercise of share options by eligible persons pursuant to the share option scheme of the Company; and
- Approved the changes of the authorized signatories of bank accounts of the Company.

Board meetings and minutes

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant events or important issues. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Group ensures that appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in the discharge of their duties.

Minutes of the Board meetings and Board Committees meetings have been recorded in sufficient detail including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and other Board Committees are sent to the Directors or committee members for comments and records respectively within a reasonable time after the meeting. Minutes of meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the General Committee are kept by the Company Secretary, which are open for inspection following reasonable notice by any Director.

Professional advice

The Company has established a policy enabling all Directors to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board provides separate independent professional advice to Directors to assist the relevant Director or Directors to discharge their duties to the Company as and when requested or necessary.

Transparency and disclosure

The Company recognizes the importance of timely quarterly trading updates, interim and non-selective disclosure of information. Latest information of the Company including annual and interim reports, announcements and press releases, constitutional documents, presentations, and webcasts are updated on Esprit's Investor Relations website (www.espritholdings.com) in a timely manner.

Esprit actively distributes information on the annual and interim results, and first and third quarter trading updates through email alerts. In addition, a results briefing is organized to ensure that members of the public has access to first-hand information on the results announcement. A live webcast is available along with an archive of the webcast on Esprit's Investor Relations website so that the results briefing is easily and readily accessible to individuals all over the world in English.

Esprit is committed to a timely disclosure of information. Aside from annual and interim reports, since 2009, Esprit has voluntarily commenced releasing quarterly trading update to further increase the transparency of the Company. Since 2004, Esprit has adopted the International Financial Reporting Standards in order for the financial results to be comprehended by international audiences in a consistent manner. Another illustration of the Company's efforts in enhancing shareholders' understanding in its operation is the inclusion of a glossary of the terms commonly used within Esprit since Annual Report FY08/09.

Maintaining a two-way communication with shareholders is one of the main goals of Esprit and the Company's AGM is one platform for shareholders to exchange views directly with the Board. Poll results are made publicly available on the same day of the meeting, typically in the space of a few hours, again to ensure the timely disclosure of information.

Shareholders engagement

Shareholders communication policy

The Company has adopted a shareholders communication policy to ensure that shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Enquiries of shareholders

Enquiries of shareholders can be sent to the Company either by email at esprit-ir@esprit.com or by post to the Company's Hong Kong headquarters at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. Shareholders can also make enquiries with the Board directly at the general meetings of the Company.

How shareholders can convene a special general meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can at all times submit a signed written requisition, specifying the purpose, to the Board or the Company Secretary to require the convening of a special general meeting ("SGM") and deposit the requisition at the Company's Hong Kong headquarters at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong; and such meeting shall be held within two months after the deposit of such requisition. Upon receiving a valid request from shareholder(s), the Board shall within twenty-one days of such deposit proceed to convene a SGM. If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

Shareholders engagement (continued)

Procedures for putting forward proposals at general meeting

Shareholders representing not less than one-twentieth of the total voting rights of all shareholders having a right to vote at the AGM at the date of the requisition or who are no less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at the AGM. The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the AGM and contain the signatures of all the requisitionist(s) (which may be contained in one document or in several documents in like form). Such requisition must be deposited at the Company's Hong Kong headquarters at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the AGM in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules. Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Company's Hong Kong headquarters, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Voting by poll

The Company's shareholders are adequately informed of their rights and the procedures to demand voting by poll in general meetings at which their approvals are sought through disclosure in the Company's circulars to shareholders.

At the 2013 AGM, the Chairman of the meeting demanded voting by poll on all resolutions put forth at the meeting. The detailed procedures for conducting a poll were explained to the shareholders on commencement of the 2013 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2013 AGM to ensure the votes were properly counted.

While it was only since 2009 that Rule 13.39(4) has become effective which sets out that any vote of shareholders at a general meeting must be taken by poll, we have been voting by poll on all resolutions put forth to the shareholders since 2003.

Pro-active investor relations

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations program. Our Group Chief Financial Officer and Investor Relations Department communicate with research analysts and institutional investors in an on-going manner. In addition, our Executive Director(s) meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows ("NDRs") to communicate the Company's financial performance and global business strategy.

Conferences and NDRs attended in FY13/14

Time	Event	Organizer	Location
September 2013	FY12/13 Post Final Results Roadshow Part I	Macquarie, Goldman Sachs, HSBC	Hong Kong
		JP Morgan	Boston New York
		HSBC	London Frankfurt
September 2013	CLSA Investors' Forum 2013	CLSA	Hong Kong
October 2013	FY12/13 Post Final Results Roadshow Part II	UBS	Singapore
October 2013	HSBC 3rd Annual China Consumption Conference	HSBC	Hong Kong
November 2013	Morgan Stanley Twelfth Annual Asia Pacific Summit	Morgan Stanley	Singapore
November 2013	HSBC 5th Annual Asia Investor Forum	HSBC	New York
November 2013	Non-deal Roadshow	Macquarie	San Francisco
January 2014	12th Annual dbAccess China Conference 2014	Deutsche Bank	Beijing
February – March 2014	FY13/14 Post Interim Results Roadshow	UBS	Singapore
		Macquarie	Hong Kong
		HSBC	Boston New York
		Deutsche Bank	Geneva London Edinburgh
March 2014	17th Annual Credit Suisse Asian Investment Conference	Credit Suisse	Hong Kong
April 2014	Non-deal Roadshow	UBS	Toyko
May 2014	Morgan Stanley Fifth Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong
June 2014	UBS Asian Consumer Conference 2014	UBS	Hong Kong

American depositary receipt program

The Company has established a Level 1 sponsored American Depositary Receipt program with details as stated hereunder.

Symbol	ESPGY
CUSIP	29666V204
ISIN	US29666V2043
Ratio	2 Ordinary shares: 1 ADR
Country	Hong Kong
Effective Date	18 November 2009
Depositary	BNY Mellon

Other stakeholders

In addition to its investors, the Company is concerned about other stakeholders and for years has factored in corporate social responsibility into every business decision. In an effort to provide more clarity on the Company's corporate social responsibility efforts, more details have been incorporated into this Annual Report in the section headed "Corporate social responsibility".

06.2 Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2014.

Principal activities

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 31 to the consolidated financial statements. The Group is principally engaged in wholesale and retail distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known Esprit brand name.

Results and appropriations

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 99 of this report and in the accompanying notes to the consolidated financial statements.

The Directors maintain the dividend payout ratio of 60% of basic earnings per share. On 23 April 2014, an interim dividend of HK$0.03 per share for the six months ended 31 December 2013 ("Interim Dividend") totaling approximately HK$58 million was paid. Of which, approximately HK$56 million was paid in cash and approximately HK$2 million was paid in form of new fully paid shares of the Company at a dividend reinvestment price of HK$14.37 per share pursuant to the dividend reinvestment scheme for the Interim Dividend.

The Directors recommend the payment of a final dividend of HK$0.04 per share (FY12/13: nil) with an option to receive the dividend in form of new fully paid shares of the Company. Details are set out in note 10 to the consolidated financial statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 104 of this report and in note 30 to the consolidated financial statements respectively.

Share capital

During the year, the Company issued 3,401,416 shares of the Company, comprising:

(1) 141,416 shares at a dividend reinvestment price of HK$14.37 per share pursuant to the dividend reinvestment scheme for the Interim Dividend; and

(2) 3,260,000 shares pursuant to the share option scheme of the Company adopted on 10 December 2009 (the "2009 Share Option Scheme"). The exercise price of the share options exercised pursuant to the 2009 Share Option Scheme is in the range of HK$8.76 to HK$12.32 per share, representing share premium in the range of HK$8.66 to HK$12.22 per share.

Further details of movements in share capital of the Company are set out in note 20 to the consolidated financial statements.

Financial summary

A summary of the consolidated results and the consolidated statement of financial position of the Group for the last ten financial years is set out on pages 138 and 139 of this report respectively.

Property, plant and equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Pension schemes

Particulars of pension schemes of the Group are set out in note 12 to the consolidated financial statements.

Principal subsidiaries

Particulars of the Company's principal subsidiaries as at 30 June 2014 are set out in note 31 to the consolidated financial statements.

Charitable donations

During the year, the Group made charitable donations totaling HK$0.8 million.

Particulars of the charitable initiatives undertaken by the Group are set out in the section headed "Corporate social responsibility" on pages 62 to 67 of this report.

Directors

The Directors of the Company during the financial year and up to the date of this report are:

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ (Group Chief Executive Officer)
Thomas TANG Wing Yung (Group Chief Financial Officer)

Non-executive Director

Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

Raymond OR Ching Fai (Chairman)
Paul CHENG Ming Fun (Deputy Chairman)
Alexander Reid HAMILTON
Carmelo LEE Ka Sze (appointed with effect from 25 July 2013)
Norbert Adolf PLATT
Eva CHENG LI Kam Fun (resigned with effect from 30 June 2014)

Under Bye-law 87 of the Company's Bye-laws, one-third of the Directors must retire, thus becoming eligible for re-election at each AGM. This year, Mr Thomas TANG Wing Yung and Mr Jürgen Alfred Rudolf FRIEDRICH will retire at the forthcoming AGM and being eligible, offer themselves for re-election. The biographical details of the retiring Directors will be set out in the circular to shareholders of the Company to assist shareholders in making an informed decision on their re-elections. None of the Directors standing for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation). They have no fixed term of service with the Company and are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Directors and senior management profile

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 45, has been an Executive Director of the Company and Group Chief Executive Officer since September 2012. He is responsible for the overall management and control of the business of the Group. He is a member of the Remuneration Committee and the General Committee of the Board, a director of certain subsidiaries and a trustee of a trust of the Company.

Mr MARTINEZ obtained a Bachelor's Degree in Business Administration from Universidad Autónoma de Madrid, and a Master in Business Administration Degree (Honours with Distinction) from J.L. Kellogg Business School, Northwestern University.

His professional career spans investment banking, strategy consulting and senior management positions in the global retail and consumer goods industries. Prior to joining Esprit, Mr MARTINEZ was the group director of distribution and operations for Industria De Diseño Textil, S.A. ("Inditex") based in Spain. In this role, he managed the group's distribution to its extensive global retail network. Prior to joining Inditex, Mr MARTINEZ spent 8 years at McKinsey & Company leading the firm's retail and consumer goods practice in Spain, and advising clients in Europe and South America on strategy, category management and store operations.

Thomas TANG Wing Yung, aged 59, has been an Executive Director of the Company and Group Chief Financial Officer since May 2012. He is a member of the General Committee of the Board and a director of certain subsidiaries of the Company. Mr TANG obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 30 years of experience in accounting and finance.

Prior to joining the Company, Mr TANG was executive director and chief financial officer of Sino Land Company Limited and Sino Hotels (Holdings) Limited, and chief financial officer of Tsim Sha Tsui Properties Limited until his resignation in March 2012. He first joined these three companies as chief financial officer in November 2003. All these companies are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prior to joining the Sino group, he was a managing director of an investment and financial advisory services firm that is a member of an international group, overseeing operations in the Asia-Pacific region. Mr TANG started his career as an accountant working for Peat Marwick (KPMG) in London and Hong Kong.

Non-executive Directors

Raymond OR Ching Fai, aged 64, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board effective from 13 June 2012. He is the Chairman of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr OR is an executive director, chief executive officer and chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited and Television Broadcasts Limited. All these companies are listed on the Stock Exchange. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Paul CHENG Ming Fun, aged 77, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board effective from 20 July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr CHENG obtained his Bachelor of Arts degree from Lake Forest University (Illinois, USA) and Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on the Stock Exchange. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive director of Pacific Alliance China Land Ltd., a company listed on the AIM Board of the London Stock Exchange. Mr CHENG was a former member of the Hong Kong Legislative Council as well as the former chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited and the Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Directors and senior management profile (continued)

Non-executive Directors (continued)

Eva CHENG LI Kam Fun, aged 61, was an Independent Non-executive Director of the Company from 6 December 2012 to 30 June 2014. During the year, she was a member of the Audit Committee and the Remuneration Committee of the Board. She was the former corporate executive vice president of Amway Corporation, a global direct selling company which markets consumer products in the health, beauty, homecare and hometech categories. Mrs CHENG began her career with Amway in Hong Kong in 1977 and had an outstanding track record in the launch and development of Amway markets in the Greater China and Southeast Asia regions. Mrs CHENG is best known for leading Amway's entry into China in 1991, and served as chairperson of Amway China until her retirement in 2011. Under her leadership, Amway China overcame significant regulatory and operating challenges, and grew to become a business enterprise with remarkable revenues. In 2008 and 2009, Mrs CHENG was twice listed by Forbes as one of the "World's 100 Most Powerful Women".

Mrs CHENG is currently an independent non-executive director of Trinity Limited and Haier Electronics Group Co. Ltd., both companies are listed on the Stock Exchange. She is an independent non-executive director of The Link Management Limited, the manager of The Link Real Estate Investment Trust, a trust listed on the Stock Exchange. She is also an independent non-executive director of Nestlé S.A., a company listed on the SIX Swiss Exchange and a non-executive director of Amcor Limited, a company listed on the Australian Securities Exchange. She was an independent non-executive director of Amway (Malaysia) Holdings Berhad, a company listed on the main market of Bursa Malaysia Securities Berhad. In the areas of public and community service, she currently serves as executive director of the China Next Generation Education Foundation Spring Sprout Special Fund and honorary chairperson of the Amway Charity Foundation in China. Mrs CHENG is also a member of the executive committee of the All-China Women's Federation and a member of the Chinese People's Political Consultative Conference-Guangdong Commission. In Hong Kong, Mrs CHENG is currently honorary president of the All-China Women's Federation Hong Kong Delegates Association, honorary president of the Hong Kong Federation of Women and a permanent honorary committee member of The Chinese General Chamber of Commerce.

Mrs CHENG obtained a Bachelor of Arts (Honours) degree and a Master of Business Administration degree from the University of Hong Kong.

Jürgen Alfred Rudolf FRIEDRICH, aged 76, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He is a member of the Audit Committee and the Remuneration Committee of the Board. Mr FRIEDRICH has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Alexander Reid HAMILTON, aged 72, has been an Independent Non-executive Director of the Company since August 1995. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr HAMILTON is an independent non-executive director of CITIC Pacific Limited, COSCO International Holdings Limited and Shangri-La Asia Limited. All these companies are listed on the Stock Exchange. He is also an independent non-executive director of JPMorgan China Region Fund, Inc., a USA registered closed end fund quoted on the New York Stock Exchange. Mr HAMILTON is also a director of Octopus Cards Limited and a number of other Hong Kong companies. He was an independent non-executive director of China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Carmelo LEE Ka Sze, aged 54, has been appointed as an Independent Non-executive Director of the Company since July 2013. He is a member of the Nomination Committee and the Remuneration Committee of the Board. He is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries. He has been the chairman of the Listing Committee of the Stock Exchange since 2012 after serving as deputy chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively. Mr LEE is a member of the SFC (HKEC Listing) Committee and a member of the SFC Dual Filing Advisory Group of the Securities and Futures Commission. He is also a member of the Disciplinary Panels of the Hong Kong Institute of Certified Public Accountants. He is a member of the Campaign Committee and a Co-Chairman of the Corporate Challenge Half Marathon of The Community Chest of Hong Kong.

Mr LEE obtained a Bachelor of Laws degree and Postgraduate Certificate in Laws from The University of Hong Kong and qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia.

Mr LEE is a non-executive director of Hopewell Holdings Limited, CSPC Pharmaceutical Group Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited and Termbray Industries International (Holdings) Limited and an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd., all these companies are listed on the Stock Exchange. He was a non-executive director of The Cross-Harbour (Holdings) Limited from September 2004 to December 2012.

Norbert Adolf PLATT, aged 67, has been an Independent Non-executive Director of the Company since December 2012. He is a member of the Audit Committee and the Remuneration Committee of the Board. He has 40 years of extensive experience in the industry of luxury goods. Mr PLATT was the chief executive officer of the Richemont group from October 2004 to March 2010. The Richemont group's luxury goods interests encompass a portfolio of internationally renowned brands including Cartier, Van Cleef & Arpels, Piaget, Montblanc, Chloé and Alfred Dunhill. Under his leadership, the Richemont group recorded significant growth in turnover and profits. Mr PLATT is currently a non-executive director of Compagnie Financière Richemont SA, the holding company of the Richemont group which is listed in Switzerland.

Directors and senior management profile (continued)

Non-executive Directors (continued)

Prior to acting as chief executive officer of the Richemont group, Mr PLATT was the chief executive officer of Montblanc International GmbH ("Montblanc International") between 1987 and 2004. Mr PLATT successfully transformed Montblanc International from a maker of writing instruments into a diversified and globally renowned manufacturer of luxury goods. Under his leadership, Montblanc International recorded remarkable growth in its turnover. Mr PLATT remained as the chairman of Montblanc Simplo GmbH based in Hamburg, Germany until 30 June 2013. From 1972 to 1987, Mr PLATT held various chief executive positions in Rollei Singapore and Germany.

Mr PLATT graduated with a Master of Science Degree in precision mechanical engineering, and attended business management and marketing programmes at Harvard Business School of Harvard University and INSEAD.

Senior management

Christophe Jean BEZU, aged 57, is Managing Director Europe & Rest of the World. He manages the overall business strategy and is responsible for the profit and loss of the European region (excluding Germany) and the rest of the world. He joined the Group in May 2011 as Chief Wholesale Officer of the Group and was responsible for the global wholesale business of the Group. Prior to joining the Group, he had 24 years of experience in the sports apparel industry, with 20 years in Asia as the marketing director and then president of Adidas Japan, senior vice president, managing director and then chief executive officer of Adidas group Asia Pacific until 2009. His last position before joining the Group was chief e-commerce officer of the Adidas group and president of Adidas group Greater China. Mr BEZU has extensive experience in Asia, specializing in sales, product marketing and general management. He obtained a Master's degree from ESCP Europe in Paris.

Arndt BROCKMANN, aged 40, is Managing Director Germany. He manages the overall business strategy and is responsible for the profit and loss of Germany. He has over 15 years of experience in international fashion and apparel, both in retail as well as wholesale oriented companies. Prior to joining the Group in March 2013, Mr BROCKMANN was retail director of s. Oliver group, where he was responsible for turning around the non-performing retail business. He worked at Inditex from 2005 to 2011, where he started as international director with various roles across Europe before becoming managing director of Zara Germany for almost 5 years. Previous roles include retail manager (Eastern Europe, Middle East and Africa) of Puma AG. He started his career in 1997 in the trade marketing & franchising department at Hugo Boss AG. Mr BROCKMANN obtained a MBA from INSEAD in Fontainebleau and Singapore.

Armin BROGER, aged 53, is President of edc Brand of the Group. He is responsible for setting up and leading edc as a separate brand across all functional areas. In the 21 years before joining the Group in March 2012, he developed extensive experience in building and transforming leading global brands. He was president of Europe, Middle East and Africa ("EMEA") of Levi Strauss & Co, chief executive officer of 7 for all mankind Europe BV, chief operating officer EMEA of Tommy Hilfiger BV, and general manager worldwide of Diesel. Before joining the fashion retail industry, Mr BROGER held several leadership functions at The Walt Disney Company in the USA and in Europe. He is an alumnus of Bain & Company. He obtained Business Administration degrees from the Universities of Innsbruck and Venice Ca' Foscari and a MBA from the University of Notre Dame.

Juan Antonio CHAPARRO VAZQUEZ, aged 45, is Chief Supply Chain Officer of the Group. He is responsible for operating functions including global buying, global sourcing, product planning, global quality control and sustainability. Mr CHAPARRO brings with him a rich background in product development, vertical supply chain management and apparel retailing. He has spent over 12 years in various positions within the Inditex group. Prior to joining the Group in February 2013, he was the buying director of Zara. From 2005 to 2009, he managed his own apparel company and provided retail management consulting services to several top brands. Mr CHAPARRO obtained a Master's degree in business management and marketing management from Business & Marketing School of ESIC University in Spain.

Simon HECKSCHER, aged 33, is Vice President – Head of Corporate Strategy of the Group. In his role, Mr HECKSCHER reports directly to the Group Chief Executive Officer and is responsible for strategic initiatives including the implementation of a vertical business model. Prior to joining Esprit in September 2013, Mr HECKSCHER has spent almost seven years at The Boston Consulting Group (BCG). He has worked on various strategic projects in the apparel industry, banking and industrial goods sector across Europe and the Middle East, including the support of the Group's transformation plan from 2009 to 2013. Mr HECKSCHER obtained a Master of Business Administration degree with Dean's Honors and Distinction from Columbia University in the City of New York, US, a Master of Business Administration degree (Diplom-Kaufmann) from the University of Mannheim, Germany, and a Master of International Business degree from the University of Sydney, Australia.

Elena LAZCANOTEGUI LARRARTE, aged 40, is Senior Vice President – Product Strategy of the Group. Prior to joining the Group in December 2012, she was leading the fast-to-market product development in Zara (women). During her 15 years in Zara, she has held various management positions in supply chain management, product management and store management. She obtained Bachelor Degree of Business Administration from the University of Deustro in Spain and studied international business at Adolfo Ibáñez University in Chile.

Arnd MUELLER, aged 47, is Senior Vice President – Head of Global Marketing of the Group. He is responsible for the implementation of the brand direction in all consumer communication and store experience touch-points. Prior to joining the Group in December 2011, Mr MUELLER held senior marketing, brand management and commercial business executive positions in Europe and the US at the Walt Disney Company, Avery Dennison and the Bertelsmann Music group. Mr MUELLER spent the majority of his career within commercial and brand management positions at international corporations and brands. In his career at the Walt Disney Company, he held management positions in the European consumer product business and later led the branded apparel business of the Walt Disney Company in the US. He led corporate marketing and creative brand development for the fortune 500 company Avery Dennision in their apparel and retail branding and information solution business. He obtained a business administration and marketing degree from the University of Duesseldorf.

Directors and senior management profile (continued)

Senior management (continued)

Rafael PASTOR ESPUCH, aged 44, is the Chief Product Officer of the Group. He is responsible for managing the product creation and design of all product divisions of the Esprit brand. Prior to joining the Group in November 2013, Mr PASTOR's extensive experience spans commercial strategy, product design, production, planning and distribution during his almost 18 years in Inditex. For twelve years, February 2001 to January 2013, he has been executive director of "Zara Basic", a woman product division of Zara, where he managed over two billion euro sales, reaching over 80 countries and 5 continents, with consistent like-for-like sales growth over the past recent years. Prior to this role, between 1995 and 2001, he served as product manager for Zara shoes, as the international clothing product manager for the United States, Greece and the Middle East market, and as controller of another woman division. Mr PASTOR obtained a Bachelor degree in Economic and Business Studies from the University of Madrid, Spain.

José Antonio RAMOS, aged 42, is the Chief Commercial Officer of the Group. After signing on with the Group as Chief Strategy Officer in January 2013, he is now responsible for the multichannel department commercial distribution which incorporates the centralized management related to the different channels of retail, wholesale and e-commerce (including planning, merchandise management, allocation and commercial model definition) and the management of the different multichannel support services (including sales operations, logistics, sales activation). Prior to joining the Group, he was a member of the executive board of Carrefour Spain, responsible for the food business after having managed the textile & home business for a few years. Preceding his move to Carrefour, he held key positions at Zara (Inditex) in the product divisions and in the distribution unit for several years. He started his career as a strategy consultant with McKinsey & Company. He obtained a MBA (Focus on Finance and Risk Management) from the MIT Sloan School of Management, Cambridge, USA in addition to a Double Degree in Business Administration and Law from the University ICADE (U.P.C.), Madrid, Spain – Dublin, Ireland.

Tanya TODD, aged 51, is Managing Director Asia Pacific. She manages the overall business strategy and is responsible for the profit and loss of Asia Pacific region. She joined the Group in the second quarter of year 2010 as Chief Operating Officer in which role she has greatly contributed to the improvement of global buying, sourcing and logistics operations as well as improving sustainability practices of the Group. She has over 28 years of experience in fashion apparel retailing. Prior to joining the Group, Ms TODD was buying director of the Mothercare and then board director and chief merchandising officer of C&A. She obtained a Bachelor of Arts degree from Durham University and a Master of Business Administration in retailing and wholesaling from the University of Stirling.

Ernst-Peter VOGEL, aged 49, is Executive Vice President – Global Finance & IT of the Group. He is primarily responsible for the Group's operational finance functions including the Group's statutory and management reporting as well as the global IT functions and projects. He joined the Group in 2003 as Senior Vice President – Finance Europe and has been overseeing various global finance projects and major IT projects of the Group in the past years, including the introduction of SAP to replace the former European ERP system. Before joining the Group, he headed the finance team of an international lifestyle group for 5 years. He has over 15 years of extensive experience in finance and tax matters, and possesses a qualification as a German Certified Public Accountant and tax advisor. He obtained a Master of Business Administration degree (Diplom-Kaufmann) from the University of Frankfurt.

Dr Marion WELP, aged 43, is Senior Vice President – Head of Global Human Resources, Legal & Compliance of the Group since May 2014. In her new role, Dr WELP is responsible for leading the Global HR, Legal and Compliance teams. Her prime focus is on building and maintaining a strong global culture at Esprit based on honesty, passion & togetherness. She joined Esprit in 2007, and has built up the European legal department and later taking on responsibility for group legal & compliance function globally. Prior to joining the Group, Dr WELP was a corporate attorney at Ecolab GmbH & Co. KG from 2000 to 2007. She was admitted as a lawyer into the New York Bar Association in 1996.

Directors' emoluments

Particulars of the remuneration of the Director and senior management for the financial year disclosed pursuant to Section 383 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Appendix 16 of the Listing Rules are set out in note 13 to the consolidated financial statements. The interests of the Directors in share options, including the share options granted to them during the year, are set out in the "Share options" section below. Information about the remuneration policy of the Group is set out in the section headed "Corporate governance report" on pages 72 to 79 of this report.

Share options

2001 share option scheme

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme") and the scheme was terminated on 10 December 2009. Notwithstanding its termination, the share options which were granted and remained outstanding and/or committed as of that date continued to follow the provisions of the 2001 Share Option Scheme and the Listing Rules. Particulars of the 2001 Share Option Scheme are set out in note 20 to the consolidated financial statements. A summary of the movements of the outstanding share options under the 2001 Share Scheme during the year is as follows:

Employees & consultants

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
04/12/2007	119.00	04/12/2008	04/12/2008 – 03/12/2013	60,000	–	–	60,000	–
		04/12/2009	04/12/2009 – 03/12/2013	60,000	–	–	60,000	–
		04/12/2010	04/12/2010 – 03/12/2013	60,000	–	–	60,000	–
		04/12/2011	04/12/2011 – 03/12/2013	60,000	–	–	60,000	–
		04/12/2012	04/12/2012 – 03/12/2013	60,000	–	–	60,000	–
05/12/2007	118.70	05/12/2008	05/12/2008 – 04/12/2013	135,000	–	–	135,000	–
		05/12/2009	05/12/2009 – 04/12/2013	135,000	–	–	135,000	–
		05/12/2010	05/12/2010 – 04/12/2013	135,000	–	–	135,000	–
		05/12/2011	05/12/2011 – 04/12/2013	135,000	–	–	135,000	–
		05/12/2012	05/12/2012 – 04/12/2013	135,000	–	–	135,000	–
31/01/2008	100.80	31/01/2009	31/01/2009 – 30/01/2014	280,000	–	–	280,000	–
		31/01/2010	31/01/2010 – 30/01/2014	280,000	–	–	280,000	–
		31/01/2011	31/01/2011 – 30/01/2014	280,000	–	–	280,000	–
		31/01/2012	31/01/2012 – 30/01/2014	280,000	–	–	280,000	–
		31/01/2013	31/01/2013 – 30/01/2014	280,000	–	–	280,000	–
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	30,000	–	–	30,000	–
		11/02/2010	11/02/2010 – 10/02/2014	30,000	–	–	30,000	–
		11/02/2011	11/02/2011 – 10/02/2014	30,000	–	–	30,000	–
		11/02/2012	11/02/2012 – 10/02/2014	30,000	–	–	30,000	–
		11/02/2013	11/02/2013 – 10/02/2014	30,000	–	–	30,000	–
09/12/2008	44.25	09/12/2009	09/12/2009 – 08/12/2014	135,000	–	–	90,000	45,000
		09/12/2010	09/12/2010 – 08/12/2014	135,000	–	–	90,000	45,000
		09/12/2011	09/12/2011 – 08/12/2014	135,000	–	–	90,000	45,000
		09/12/2012	09/12/2012 – 08/12/2014	135,000	–	–	90,000	45,000
		09/12/2013	09/12/2013 – 08/12/2014	105,000	–	–	60,000	45,000
11/12/2008	45.95	11/12/2009	11/12/2009 – 10/12/2014	212,000	–	–	24,000	188,000
		11/12/2010	11/12/2010 – 10/12/2014	212,000	–	–	24,000	188,000
		11/12/2011	11/12/2011 – 10/12/2014	212,000	–	–	24,000	188,000
		11/12/2012	11/12/2012 – 10/12/2014	212,000	–	–	24,000	188,000
		11/12/2013	11/12/2013 – 10/12/2014	204,000	–	–	16,000	188,000
05/02/2009	39.76	05/02/2010	05/02/2010 – 04/02/2015	304,000	–	–	134,000	170,000
		05/02/2011	05/02/2011 – 04/02/2015	334,000	–	–	134,000	200,000
		05/02/2012	05/02/2012 – 04/02/2015	334,000	–	–	134,000	200,000
		05/02/2013	05/02/2013 – 04/02/2015	334,000	–	–	134,000	200,000
		05/02/2014	05/02/2014 – 04/02/2015	314,000	–	–	114,000	200,000
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2011	09/02/2011 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2012	09/02/2012 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2013	09/02/2013 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2014	09/02/2014 – 08/02/2015	30,000	–	–	–	30,000

2001 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
09/12/2009	53.74	09/12/2010	09/12/2010 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2011	09/12/2011 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2012	09/12/2012 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2013	09/12/2013 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2014	09/12/2014 - 08/12/2015	184,000	-	-	-	184,000
11/12/2009	53.90	11/12/2010	11/12/2010 - 10/12/2015	159,000	-	-	18,000	141,000
		11/12/2011	11/12/2011 - 10/12/2015	159,000	-	-	18,000	141,000
		11/12/2012	11/12/2012 - 10/12/2015	159,000	-	-	18,000	141,000
		11/12/2013	11/12/2013 - 10/12/2015	153,000	-	-	12,000	141,000
		11/12/2014	11/12/2014 - 10/12/2015	153,000	-	-	12,000	141,000
04/02/2010	57.70	04/02/2011	04/02/2011 - 03/02/2016	210,000	-	-	90,000	120,000
		04/02/2012	04/02/2012 - 03/02/2016	210,000	-	-	90,000	120,000
		04/02/2013	04/02/2013 - 03/02/2016	210,000	-	-	90,000	120,000
		04/02/2014	04/02/2014 - 03/02/2016	210,000	-	-	90,000	120,000
		04/02/2015	04/02/2015 - 03/02/2016	210,000	-	-	90,000	120,000
05/02/2010	55.46	05/02/2011	05/02/2011 - 04/02/2016	93,000	-	-	33,000	60,000
		05/02/2012	05/02/2012 - 04/02/2016	93,000	-	-	33,000	60,000
		05/02/2013	05/02/2013 - 04/02/2016	93,000	-	-	33,000	60,000
		05/02/2014	05/02/2014 - 04/02/2016	78,000	-	-	18,000	60,000
		05/02/2015	05/02/2015 - 04/02/2016	78,000	-	-	18,000	60,000
09/12/2010	37.92	09/12/2011	09/12/2011 - 08/12/2016	138,000	-	-	-	138,000
		09/12/2012	09/12/2012 - 08/12/2016	138,000	-	-	-	138,000
		09/12/2013	09/12/2013 - 08/12/2016	138,000	-	-	-	138,000
		09/12/2014	09/12/2014 - 08/12/2016	138,000	-	-	-	138,000
		09/12/2015	09/12/2015 - 08/12/2016	138,000	-	-	-	138,000
13/12/2010	38.10	13/12/2011	13/12/2011 - 12/12/2016	159,000	-	-	18,000	141,000
		13/12/2012	13/12/2012 - 12/12/2016	159,000	-	-	18,000	141,000
		13/12/2013	13/12/2013 - 12/12/2016	153,000	-	-	12,000	141,000
		13/12/2014	13/12/2014 - 12/12/2016	153,000	-	-	12,000	141,000
		13/12/2015	13/12/2015 - 12/12/2016	153,000	-	-	12,000	141,000
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	93,000	-	-	33,000	60,000
		11/02/2013	11/02/2013 - 10/02/2017	93,000	-	-	33,000	60,000
		11/02/2014	11/02/2014 - 10/02/2017	78,000	-	-	18,000	60,000
		11/02/2015	11/02/2015 - 10/02/2017	78,000	-	-	18,000	60,000
		11/02/2016	11/02/2016 - 10/02/2017	78,000	-	-	18,000	60,000
09/12/2011	11.09	09/12/2012	09/12/2012 - 08/12/2017	138,000	-	-	-	138,000
		09/12/2013	09/12/2013 - 08/12/2017	138,000	-	-	-	138,000
		09/12/2014	09/12/2014 - 08/12/2017	138,000	-	-	-	138,000
		09/12/2015	09/12/2015 - 08/12/2017	138,000	-	-	-	138,000
		09/12/2016	09/12/2016 - 08/12/2017	138,000	-	-	-	138,000
In aggregate				**11,757,000**	**-**	**-**	**4,562,000**	**7,195,000**

2001 share option scheme (continued)

Others

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options: As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	120,000	–	–	120,000	–
		11/02/2010	11/02/2010 – 10/02/2014	120,000	–	–	120,000	–
		11/02/2011	11/02/2011 – 10/02/2014	120,000	–	–	120,000	–
		11/02/2012	11/02/2012 – 10/02/2014	120,000	–	–	120,000	–
		11/02/2013	11/02/2013 – 10/02/2014	120,000	–	–	120,000	–
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2011	09/02/2011 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2012	09/02/2012 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2013	09/02/2013 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2014	09/02/2014 – 08/02/2015	120,000	–	–	–	120,000
In aggregate				**1,200,000**	**–**	**–**	**600,000**	**600,000**
Total				**12,957,000**	**–**	**–**	**5,162,000**	**7,795,000**

Note:
No share options were cancelled under the 2001 Share Option Scheme during the year.

2009 share option scheme

The Company adopted the 2009 Share Option Scheme on 10 December 2009. Particulars of the 2009 Share Option Scheme are set out in note 20 to the consolidated financial statements. A summary of the movements of the outstanding share options under the 2009 Share Option Scheme, including the share options granted during the year is as follows:

Directors

Jose Manuel MARTINEZ GUTIERREZ

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options: As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
11/03/2013	10.04	11/03/2016	11/03/2016 – 10/03/2023	3,000,000	–	–	–	3,000,000
		11/03/2017	11/03/2017 – 10/03/2023	1,000,000	–	–	–	1,000,000
		11/03/2018	11/03/2018 – 10/03/2023	1,000,000	–	–	–	1,000,000
04/11/2013	14.18	04/11/2016	04/11/2016 – 03/11/2023	–	400,000	–	–	400,000
In aggregate				**5,000,000**	**400,000**	**–**	**–**	**5,400,000**

Thomas TANG Wing Yung

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options: As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
11/03/2013	10.04	11/03/2016	11/03/2016 – 10/03/2023	1,500,000	–	–	–	1,500,000
		11/03/2017	11/03/2017 – 10/03/2023	400,000	–	–	–	400,000
		11/03/2018	11/03/2018 – 10/03/2023	400,000	–	–	–	400,000
04/11/2013	14.18	04/11/2016	04/11/2016 – 03/11/2023	–	300,000	–	–	300,000
In aggregate				**2,300,000**	**300,000**	**–**	**–**	**2,600,000**

2009 share option scheme (continued)

Directors (continued)

Raymond OR Ching Fai

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	–	450,000	–	–	450,000
In aggregate				**–**	**450,000**	**–**	**–**	**450,000**

Paul CHENG Ming Fun

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	–	280,000	–	–	280,000
In aggregate				**–**	**280,000**	**–**	**–**	**280,000**

Jürgen Alfred Rudolf FRIEDRICH

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	–	110,000	–	–	110,000
In aggregate				**–**	**110,000**	**–**	**–**	**110,000**

Alexander Reid HAMILTON

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	–	110,000	–	–	110,000
In aggregate				**–**	**110,000**	**–**	**–**	**110,000**

Carmelo LEE Ka Sze

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	–	100,000	–	–	100,000
In aggregate				**–**	**100,000**	**–**	**–**	**100,000**

Norbert Adolf PLATT

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	–	110,000	–	–	110,000
In aggregate				**–**	**110,000**	**–**	**–**	**110,000**

2009 share option scheme (continued)

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
19/04/2010	62.21	19/04/2011	19/04/2011 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2012	19/04/2012 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2013	19/04/2013 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2014	19/04/2014 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2015	19/04/2015 - 18/04/2016	160,000	-	-	-	160,000
02/07/2010	43.93	02/07/2011	02/07/2011 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2012	02/07/2012 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2013	02/07/2013 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2014	02/07/2014 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2015	02/07/2015 - 01/07/2016	600,000	-	-	600,000	-
27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	3,780,000	-	-	550,000	3,230,000
04/10/2010	42.34	04/10/2011	04/10/2011 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2012	04/10/2012 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2013	04/10/2013 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2014	04/10/2014 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2015	04/10/2015 - 03/10/2016	400,000	-	-	400,000	-
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	40,000	-	-	40,000	-
		11/02/2013	11/02/2013 - 10/02/2017	40,000	-	-	40,000	-
		11/02/2014	11/02/2014 - 10/02/2017	40,000	-	-	40,000	-
		11/02/2015	11/02/2015 - 10/02/2017	40,000	-	-	40,000	-
		11/02/2016	11/02/2016 - 10/02/2017	40,000	-	-	40,000	-
19/04/2011	34.71	19/04/2012	19/04/2012 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2013	19/04/2013 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2014	19/04/2014 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2015	19/04/2015 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2016	19/04/2016 - 18/04/2017	120,000	-	-	-	120,000
17/05/2011	30.90	17/05/2014	17/05/2014 - 16/05/2021	600,000	-	-	-	600,000
		17/05/2015	17/05/2015 - 16/05/2021	200,000	-	-	-	200,000
		17/05/2016	17/05/2016 - 16/05/2021	200,000	-	-	-	200,000
16/09/2011	18.17	16/09/2012	16/09/2012 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2013	16/09/2013 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2014	16/09/2014 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2014	16/09/2014 - 15/09/2021	600,000	-	-	-	600,000
		16/09/2015	16/09/2015 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2015	16/09/2015 - 15/09/2021	200,000	-	-	-	200,000
		16/09/2016	16/09/2016 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2016	16/09/2016 - 15/09/2021	200,000	-	-	-	200,000
27/09/2011	8.76	17/07/2013 (Note 3)	17/07/2013 - 16/10/2013 (Note 3)	750,000	-	750,000	-	-
		11/04/2014 (Note 4)	11/04/2014 - 30/06/2014 (Note 4)	450,000	-	450,000	-	-
		01/05/2014 (Note 5)	01/05/2014 - 31/07/2014 (Note 5)	450,000	-	260,000	-	190,000
		27/09/2014	27/09/2014 - 26/09/2021	11,700,000	-	-	2,675,000	9,025,000

2009 share option scheme (continued)

Employees & consultants (continued)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
18/01/2012	11.40	31/10/2013 (Note 6)	31/10/2013 – 30/06/2014 (Note 6)	720,000	–	–	–	720,000
		31/10/2013 (Note 7)	31/10/2013 – 30/06/2014 (Note 7)	240,000	–	–	–	240,000
		31/10/2013 (Note 8)	31/10/2013 – 30/06/2014 (Note 8)	240,000	–	–	–	240,000
06/03/2012	18.22	06/03/2015	06/03/2015 – 05/03/2022	540,000	–	–	540,000	–
		06/03/2016	06/03/2016 – 05/03/2022	180,000	–	–	180,000	–
		06/03/2017	06/03/2017 – 05/03/2022	180,000	–	–	180,000	–
10/05/2012	14.78	10/05/2013	10/05/2013 – 09/05/2018	120,000	–	–	–	120,000
		10/05/2014	10/05/2014 – 09/05/2018	120,000	–	–	–	120,000
		10/05/2015	10/05/2015 – 09/05/2018	120,000	–	–	–	120,000
		10/05/2016	10/05/2016 – 09/05/2018	120,000	–	–	–	120,000
		10/05/2017	10/05/2017 – 09/05/2018	120,000	–	–	–	120,000
06/07/2012	10.02	31/10/2013 (Note 9)	31/10/2013 – 30/06/2014 (Note 9)	540,000	–	540,000	–	–
		31/10/2013 (Note 10)	31/10/2013 – 30/06/2014 (Note 10)	180,000	–	180,000	–	–
		31/10/2013 (Note 11)	31/10/2013 – 30/06/2014 (Note 11)	180,000	–	180,000	–	–
12/12/2012	12.32	17/07/2013 (Note 12)	17/07/2013 – 16/10/2013 (Note 12)	250,000	–	–	250,000	–
		31/10/2013 (Note 13)	31/10/2013 – 30/06/2014 (Note 13)	250,000	–	–	–	250,000
		31/01/2014 (Note 14)	31/01/2014 – 30/04/2014 (Note 14)	100,000	–	100,000	–	–
		12/12/2013	12/12/2013 – 11/12/2018	30,000	–	–	30,000	–
		12/12/2014	12/12/2014 – 11/12/2018	30,000	–	–	30,000	–
		12/12/2015	12/12/2015 – 11/12/2018	30,000	–	–	30,000	–
		12/12/2015	12/12/2015 – 11/12/2022	7,465,000	–	–	1,475,000	5,990,000
		12/12/2016	12/12/2016 – 11/12/2018	30,000	–	–	30,000	–
		12/12/2017	12/12/2017 – 11/12/2018	30,000	–	–	30,000	–
11/03/2013	10.04	31/01/2014 (Note 15)	31/01/2014 – 30/04/2014 (Note 15)	300,000	–	300,000	–	–
		31/01/2014 (Note 16)	31/01/2014 – 30/04/2014 (Note 16)	100,000	–	100,000	–	–
		31/01/2014 (Note 17)	31/01/2014 – 30/04/2014 (Note 17)	100,000	–	100,000	–	–
		11/04/2014 (Note 18)	11/04/2014 – 30/06/2014 (Note 18)	300,000	–	300,000	–	–
		11/03/2016	11/03/2016 – 10/03/2023	7,524,000	–	–	480,000	7,044,000
		11/03/2017	11/03/2017 – 10/03/2023	2,608,000	–	–	160,000	2,448,000
		11/03/2018	11/03/2018 – 10/03/2023	2,608,000	–	–	160,000	2,448,000

2009 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options As at 01/07/2013	Granted	Exercised	Lapsed	As at 30/06/2014
04/11/2013	14.18	31/01/2014 (Note 19)	31/01/2014 – 30/04/2014 (Note 19)	–	100,000	–	100,000	–
		04/11/2016	04/11/2016 – 03/11/2023	–	10,880,000	–	375,000	10,505,000
		04/11/2017	04/11/2017 – 03/11/2023	–	660,000	–	–	660,000
		04/11/2018	04/11/2018 – 03/11/2023	–	660,000	–	–	660,000
21/03/2014	13.592	21/03/2017	21/03/2017 – 20/03/2024	–	510,000	–	–	510,000
		21/03/2018	21/03/2018 – 20/03/2024	–	170,000	–	–	170,000
		21/03/2019	21/03/2019 – 20/03/2024	–	170,000	–	–	170,000
30/06/2014	11.00	30/06/2017	30/06/2017 – 29/06/2024	–	210,000	–	–	210,000
		30/06/2018	30/06/2018 – 29/06/2024	–	70,000	–	–	70,000
		30/06/2019	30/06/2019 – 29/06/2024	–	70,000	–	–	70,000
In aggregate				**51,235,000**	**13,500,000**	**3,260,000**	**12,625,000**	**48,850,000**
Total				**58,535,000**	**15,360,000**	**3,260,000**	**12,625,000**	**58,010,000**

Notes:

1. The closing price of the shares of the Company immediately before the share options granted on 4 November 2013, 21 March 2014 and 30 June 2014 were HK$14.16, HK$13.30 and HK$10.90 respectively.
2. The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was approximately HK$12.08.
3. With effect from 17 July 2013, the vesting date of 750,000 share options at exercise price of HK$8.76 was accelerated from 27 September 2014 to 17 July 2013 and the exercise period was changed from the period of 27 September 2014 to 26 September 2021 to the period of 17 July 2013 to 16 October 2013.
4. With effect from 28 February 2014, the vesting date of 450,000 share options at exercise price of HK$8.76 was accelerated from 27 September 2014 to 11 April 2014 and the exercise period was changed from the period of 27 September 2014 to 26 September 2021 to the period of 11 April 2014 to 30 June 2014.
5. With effect from 7 April 2014, the vesting date of 450,000 share options at exercise price of HK$8.76 was accelerated from 27 September 2014 to 1 May 2014 and the exercise period was changed from the period of 27 September 2014 to 26 September 2021 to the period of 1 May 2014 to 31 July 2014.
6. With effect from 22 October 2013, the vesting date of 720,000 share options at exercise price of HK$11.40 was accelerated from 18 January 2015 to 31 October 2013 and the exercise period was changed from the period of 18 January 2015 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
7. With effect from 22 October 2013, the vesting date of 240,000 share options at exercise price of HK$11.40 was accelerated from 18 January 2016 to 31 October 2013 and the exercise period was changed from the period of 18 January 2016 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
8. With effect from 22 October 2013, the vesting date of 240,000 share options at exercise price of HK$11.40 was accelerated from 18 January 2017 to 31 October 2013 and the exercise period was changed from the period of 18 January 2017 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
9. With effect from 22 October 2013, the vesting date of 540,000 share options at exercise price of HK$10.02 was accelerated from 6 July 2015 to 31 October 2013 and the exercise period was changed from the period of 6 July 2015 to 5 July 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
10. With effect from 22 October 2013, the vesting date of 180,000 share options at exercise price of HK$10.02 was accelerated from 6 July 2016 to 31 October 2013 and the exercise period was changed from the period of 6 July 2016 to 5 July 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
11. With effect from 22 October 2013, the vesting date of 180,000 share options at exercise price of HK$10.02 was accelerated from 6 July 2017 to 31 October 2013 and the exercise period was changed from the period of 6 July 2017 to 5 July 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
12. With effect from 17 July 2013, the vesting date of 250,000 share options at exercise price of HK$12.32 was accelerated from 12 December 2015 to 17 July 2013 and the exercise period was changed from the period of 12 December 2015 to 11 December 2022 to the period of 17 July 2013 to 16 October 2013.
13. With effect from 22 October 2013, the vesting date of 250,000 share options at exercise price of HK$12.32 was accelerated from 12 December 2015 to 31 October 2013 and the exercise period was changed from the period of 12 December 2015 to 11 December 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
14. With effect from 14 January 2014, the vesting date of 100,000 share options at exercise price of HK$12.32 was accelerated from 12 December 2015 to 31 January 2014 and the exercise period was changed from the period of 12 December 2015 to 11 December 2022 to the period of 31 January 2014 to 30 April 2014.
15. With effect from 14 January 2014, the vesting date of 300,000 share options at exercise price of HK$10.04 was accelerated from 11 March 2016 to 31 January 2014 and the exercise period was changed from the period of 11 March 2016 to 10 March 2023 to the period of 31 January 2014 to 30 April 2014.
16. With effect from 14 January 2014, the vesting date of 100,000 share options at exercise price of HK$10.04 was accelerated from 11 March 2017 to 31 January 2014 and the exercise period was changed from the period of 11 March 2017 to 10 March 2023 to the period of 31 January 2014 to 30 April 2014.
17. With effect from 14 January 2014, the vesting date of 100,000 share options at exercise price of HK$10.04 was accelerated from 11 March 2018 to 31 January 2014 and the exercise period was changed from the period of 11 March 2018 to 10 March 2023 to the period of 31 January 2014 to 30 April 2014.
18. With effect from 28 February 2014, the vesting date of 300,000 share options at exercise price of HK$10.04 was accelerated from 11 March 2016 to 11 April 2014 and the exercise period was changed from the period of 11 March 2016 to 10 March 2023 to the period of 11 April 2014 to 30 June 2014.
19. With effect from 14 January 2014, the vesting date of 100,000 share options at exercise price of HK$14.18 was accelerated from 4 November 2016 to 31 January 2014 and the exercise period was changed from the period of 4 November 2016 to 3 November 2023 to the period of 31 January 2014 to 30 April 2014.
20. No share options were cancelled under the 2009 Share Option Scheme during the year.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangement that enabled the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Accounting treatment for share options

Details of accounting treatment for share options are set out in note 20 to the consolidated financial statements.

Directors' interests and short positions in shares, underlying shares and debentures

As at 30 June 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Name of Directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 5)	Total number of shares	Approximate percentage of aggregate interest to total issued share capital
Jose Manuel MARTINEZ GUTIERREZ	Beneficial owner	500,000	5,400,000	5,900,000	0.30%
Thomas TANG Wing Yung	Beneficial owner	–	2,600,000	2,600,000	0.13%
Raymond OR Ching Fai	Beneficial owner	1,000,000	450,000	1,450,000	0.07%
Paul CHENG Ming Fun	Beneficial owner (Note 1)	726,513	280,000	1,783,130	0.09%
	Interest of spouse (Note 2)	776,617	–		
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 3)	45,500,000	110,000	45,663,669	2.35%
	Interest of spouse (Note 4)	53,669	–		
Alexander Reid HAMILTON	Beneficial owner	–	110,000	110,000	0.00%
Carmelo LEE Ka Sze	Beneficial owner	–	100,000	100,000	0.00%
Norbert Adolf PLATT	Beneficial owner	–	110,000	110,000	0.00%

Notes:
1. The interests of the 726,513 shares were held jointly by Mr Paul CHENG Ming Fun and his spouse, Mrs Janet Mary CHENG.
2. The shares were deemed to be held by the spouse of Mr Paul CHENG Ming Fun, Mrs Janet Mary CHENG.
3. Mr Jürgen Alfred Rudolf FRIEDRICH has entered into a securities lending agreement with a third party for the interest of 10,000,000 shares beneficially owned by him.
4. The shares were held by the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Anke Beck FRIEDRICH.
5. The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options of the Company are detailed in "Share options" section above.
6. All interests disclosed above represent long position in the shares and underlying shares of the Company.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' interests in contracts

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

Substantial shareholders' interests

As at 30 June 2014, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Number of shares (Short position)	Approximate percentage of aggregate interest to total issued share capital
Lone Pine Capital LLC	Investment manager	244,006,205	–	12.56%
HSBC International Trustee Limited (Notes 1 and 2)	Trustee	212,095,117	–	10.91%
Total Market Limited (Notes 1 and 2)	Beneficial owner	211,822,656	–	10.90%
Spring Forest International Limited (Notes 1 and 2)	Interest in a controlled corporation	211,822,656	–	10.90%
YFT Group Limited (Notes 1 and 2)	Interest in a controlled corporation	211,822,656	–	10.90%
YFT Holdings Limited (Notes 1 and 2)	Interest in a controlled corporation	211,822,656	–	10.90%
Michael YING Lee Yuen (Notes 1 to 3)	Interest in a controlled corporation	211,822,656	–	10.90%
JPMorgan Chase & Co. (Notes 4 to 7)	Interest in a controlled corporation	184,007,813	751,808	9.47%
Massachusetts Financial Services Company (Note 8)	Investment manager	155,416,236	–	8.00%
Sun Life Financial, Inc. (Note 8)	Investment manager	155,416,236	–	8.00%
Tiger Global Investments, L.P. (Note 9)	Beneficial owner	114,187,400	–	5.87%
Tiger Global, L.P. (Note 9)	Interest in a controlled corporation	114,187,400	–	5.87%
Tiger Global Master Fund, L.P. (Note 9)	Interest in a controlled corporation	114,187,400	–	5.87%
Tiger Global Performance, L.L.C. (Note 9)	Interest in a controlled corporation	114,187,400	–	5.87%
Tiger Global Management, L.L.C. (Note 9)	Investment manager	114,187,400	–	5.87%
Tiger Global, Ltd. (Note 9)	Interest in a controlled corporation	114,187,400	-	5.87%
Charles P. COLEMAN III (Notes 9 and 10)	Other	114,187,400	–	5.87%
Feroz DEWAN (Notes 9 and 10)	Other	114,187,400	–	5.87%
Marathon Asset Management LLP (Note 11)	Investment manager	109,164,534	–	5.61%

Substantial shareholders' interests (continued)

Notes:

1. The entire issued share capital of Total Market Limited ("Total Market") is held by Spring Forest International Limited, which in turn is a wholly-owned subsidiary of YFT Group Limited ("YFT Group"). YFT Group is a wholly-owned subsidiary of YFT Holdings Limited ("YFT Holdings"). HSBC International Trustee Limited ("HITL") controls 100% of YFT Holdings.

2. HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 272,461 shares respectively pursuant to Part XV of the SFO.

3. Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.

4. The shares in which JPMorgan Chase & Co. was deemed to be interested were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	142,018,090 (Notes 5 and 6)	751,808 (Note 7)
Custodian corporation/ approved lending agent	41,989,723 (Notes 5 and 6)	

5. Details of the interest in long position of the 184,007,813 shares, representing 9.47% of total issued share capital of the Company, in which JPMorgan Chase & Co. was deemed to be interested were as follows:

Name	Direct (D)/ Indirect (I) interest in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interest to total issued share capital
JPMorgan Chase Bank, N.A.	D	41,989,723	2.16%
J.P. Morgan Whitefriars Inc.	D	2,590,263	0.13%
J.P. Morgan Overseas Capital Corporation	I	2,590,263	0.13%
J.P. Morgan International Finance Limited	I	4,314,692	0.22%
Bank One International Holdings Corporation	I	4,314,692	0.22%
J.P. Morgan International Inc.	I	4,314,692	0.22%
JPMorgan Chase Bank, N.A.	I	4,314,692	0.22%
J.P. Morgan Securities plc	D	1,724,429	0.08%
J.P. Morgan Chase International Holdings	I	1,724,429	0.08%
J.P. Morgan Chase (UK) Holdings Limited	I	1,724,429	0.08%
J.P. Morgan Capital Holdings Limited	I	1,724,429	0.08%
J.P. Morgan Securities LLC	D	460	0.00%
J.P. Morgan Clearing Corp	D	137,702,938	7.08%
J.P. Morgan Securities LLC	I	137,702,938	7.08%
J.P. Morgan Broker-Dealer Holdings Inc	I	137,703,398	7.08%

Explanatory notes:
All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 184,007,813 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (46,304,415 shares); and (II) J.P. Morgan Broker-Dealer Holdings Inc (137,703,398 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

(a) JPMorgan Chase Bank, N.A. directly held 41,989,723 shares and was also deemed to be interested in an aggregate of 4,314,692 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
   (i) 2,590,263 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF; and
   (ii) 1,724,429 shares were held by J.P. Morgan Securities plc, 98.95% owned subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, a wholly-owned subsidiary of JPIF.

(b) J.P. Morgan Broker-Dealer Holdings Inc ("JPBDH") was deemed to be interested in an aggregate of 137,703,398 shares held by the following subsidiaries:
   (i) 137,702,938 shares were held by J.P. Morgan Clearing Corp, wholly-owned by J.P. Morgan Securities LLC ("JPS"), a wholly-owned subsidiary of JPBDH; and
   (ii) 460 shares were held by JPS.

6. 41,989,723 shares of the interest disclosed in note 5 above represent shares of the Company in the lending pool.

7. Details of the interest in short position of the 751,808 shares, representing 0.03% of total issued share capital of the Company, in which JPMorgan Chase & Co. was deemed to be interested were as follows:

Name	Direct (D)/ Indirect (I) interest in the shares	Aggregate short position in the shares	Approximate percentage of aggregate interest to total issued share capital
J.P. Morgan Whitefriars Inc.	D	117,800	0.00%
J.P. Morgan Overseas Capital Corporation	I	117,800	0.00%
J.P. Morgan International Finance Limited	I	673,500	0.03%
Bank One International Holdings Corporation	I	673,500	0.03%
J.P. Morgan International Inc.	I	673,500	0.03%
JPMorgan Chase Bank, N.A.	I	673,500	0.03%
J.P. Morgan Securities plc	D	555,700	0.02%
J.P. Morgan Chase International Holdings	I	555,700	0.02%
J.P. Morgan Chase (UK) Holdings Limited	I	555,700	0.02%
J.P. Morgan Capital Holdings Limited	I	555,700	0.02%
J.P. Morgan Securities LLC	D	308	0.00%
J.P. Morgan Clearing Corp	D	78,000	0.00%
J.P. Morgan Securities LLC	I	78,000	0.00%
J.P. Morgan Broker-Dealer Holdings Inc	I	78,308	0.00%

Explanatory notes:
All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested to have a short position in an aggregate of 751,808 shares held by the following indirect subsidiaries:

(a) 117,800 shares held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, wholly owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.;

(b) 555,700 shares held by J.P. Morgan Securities plc, 98.95% owned subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, wholly-owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.;

(c) 308 shares held by JPS, wholly-owned by JPBDH, a wholly-owned subsidiary of JPMorgan Chase & Co.; and

(d) 78,000 shares held by J.P. Morgan Clearing Corp, wholly-owned by JPS, wholly-owned by JPBDH, a wholly-owned subsidiary of JPMorgan Chase & Co.

8. Details of the interest in long position of the 155,416,236 shares in which Sun Life Financial, Inc. was deemed to be interested were as follows:

(a) 155,416,236 shares were held by Massachusetts Financial Services Company ("MFS"). MFS is a 90.63% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., 99.87% owned subsidiary of Sun Life Financial (U.S.) Investments LLC, wholly-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc., wholly-owned subsidiary of Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc., wholly-owned subsidiary of Sun Life Global Investments Inc., wholly-owned subsidiary of Sun Life Financial, Inc.; and

(b) MFS was deemed to be interested in an aggregate of 31,056,696 shares held by the following direct and indirect subsidiaries:
   (i) 2,210,850 shares were held by MFS Heritage Trust Company, a wholly-owned subsidiary of MFS;
   (ii) 12,790,291 shares were held by MFS Institutional Advisors, Inc., a wholly-owned subsidiary of MFS;
   (iii) 2,698,744 shares were held by MFS Investment Management K.K., a wholly-owned subsidiary of MFS;
   (iv) 1,753,814 shares were deemed to be held by MFS International Ltd. ("MIL"), a wholly-owned subsidiary of MFS;
   (v) 9,124,297 shares were held by MFS International (U.K.) Limited, a wholly-owned subsidiary of MIL, which is a wholly-owned subsidiary of MFS;
   (vi) 2,315,500 shares were deemed to be held by MFS Investment Management Canada Limited, an indirect wholly-owned subsidiary of MFS; and
   (vii) 163,200 shares were held by MFS Investment Management (LUX) S.A., a wholly-owned subsidiary of MFS.

Substantial shareholders' interests (continued)

9. Tiger Global Investments, L.P. ("Tiger Global") is 59.03% owned by Tiger Global, L.P. ("TGLP") and 39.21% owned by Tiger Global Master Fund, L.P. ("TGMF") and controlled by Tiger Global Management, L.L.C. ("TGM") in its capacity as investment manager and Tiger Global Performance L.L.C. ("TGP") in its capacity as general partner. TGLP is controlled by TGM in its capacity as investment manager and TGP in its capacity as general partner. TGMF is 97.47% owned by Tiger Global, Ltd. ("TGL"), and is controlled by TGM in its capacity as investment manager and TGP in its capacity as general partner. TGL is controlled by TGM in its capacity as investment manager. Both TGP and TGM are controlled by Mr Charles P. COLEMAN III ("Mr COLEMAN") and Mr Feroz DEWAN ("Mr DEWAN").

10. As Tiger Global, TGMF, TGL, TGLP, TGP and TGM were accustomed to act in accordance with the directions of Mr COLEMAN and Mr DEWAN, Mr COLEMAN and Mr DEWAN were accordingly deemed to be interested in the shares held or deemed to be held by such companies pursuant to Part XV of the SFO.

11. Marathon Asset Management LLP is 40.05%, 40.05% and 19.90% controlled by Mr William ARAH, Mr Neil OSTRER and Marathon Asset Management (Services) Ltd respectively.

Save as disclosed hereinabove and in the "Directors' interests and short positions in shares, underlying shares and debentures" section above, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2014 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, sale or redemption of the Company's shares

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws.

Major customers and suppliers

During the year, less than 10% of the Group's sales were attributable to the five largest customers and less than 20% of the Group's purchases were attributable to the Group's five largest suppliers.

Public float

As at the date of this report and insofar as the Directors are aware, the Company maintained sufficient public float as required under the Listing Rules.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Related party transactions and connected transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 29 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

Corporate governance

Particulars of the Company's corporate governance practices are set out on pages 72 to 79 of this report.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
ESPRIT HOLDINGS LIMITED

Raymond OR Ching Fai
Chairman

Hong Kong, 23 September 2014


Gesa Hansen
SEE HER STORY AT ESPRIT.COM

07
FINANCIAL SECTION

07.1 Independent auditor's report

TO THE SHAREHOLDERS OF ESPRIT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 99 to 135, which comprise the consolidated and company statement of financial position as at 30 June 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2014

07.2 Consolidated income statement

		For the year ended 30 June	
		2014	2013
	Notes	**HK$ million**	HK$ million
Turnover	5	**24,227**	25,902
Cost of goods sold		**(12,071)**	(13,065)
Gross profit		**12,156**	12,837
Staff costs	12	**(3,851)**	(4,216)
Occupancy costs		**(3,585)**	(3,726)
Logistics expenses		**(1,317)**	(1,453)
Depreciation		**(833)**	(866)
Marketing and advertising expenses		**(792)**	(1,027)
Impairment of property, plant and equipment		**(80)**	(346)
Impairment of goodwill	14	**–**	(1,996)
Additional provision for store closures and leases	22	**(106)**	(426)
Other operating costs		**(1,231)**	(2,951)
Operating profit/(loss) (EBIT/(LBIT))	6	**361**	(4,170)
Interest income		**55**	51
Finance costs	7	**(37)**	(30)
Profit/(loss) before taxation		**379**	(4,149)
Taxation	8	**(169)**	(239)
Profit/(loss) attributable to shareholders of the Company		**210**	(4,388)
Earnings/(loss) per share			
– Basic and diluted	11	**HK$0.11**	HK$(2.50)

Details of dividends to the shareholders of the Company are set out in note 10.

The notes on pages 106 to 135 form an integral part of these consolidated financial statements.

07.3 Consolidated statement of comprehensive income

	For the year ended 30 June	
	2014 HK$ million	2013 HK$ million
Profit/(loss) attributable to shareholders of the Company	**210**	(4,388)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on cash flow hedge	**(123)**	1
Exchange translation	**207**	603
	84	604
Total comprehensive income/(loss) for the year attributable to shareholders of the Company	**294**	(3,784)

The notes on pages 106 to 135 form an integral part of these consolidated financial statements.

07.4 Consolidated statement of financial position

	Notes	As at 30 June 2014 HK$ million	2013 HK$ million
Non-current assets			
Intangible assets	14	**5,670**	5,763
Property, plant and equipment	15	**3,972**	4,363
Investment properties	16	**16**	15
Other investments		**7**	7
Debtors, deposits and prepayments	18	**312**	384
Deferred tax assets	24	**615**	697
		10,592	11,229
Current assets			
Inventories	17	**3,254**	3,209
Debtors, deposits and prepayments	18	**2,723**	3,375
Tax receivable		**559**	264
Cash, bank balances and deposits	19	**6,031**	5,171
		12,567	12,019
Current liabilities			
Creditors and accrued charges	21	**4,120**	3,951
Provision for store closures and leases	22	**508**	591
Tax payable		**700**	799
Bank loans	23	**260**	520
		5,588	5,861
Net current assets		**6,979**	6,158
Total assets less current liabilities		**17,571**	17,387
Equity			
Share capital	20	**194**	194
Reserves		**16,717**	16,402
Total equity		**16,911**	16,596
Non-current liabilities			
Deferred tax liabilities	24	**660**	791
		17,571	17,387

Approved by the Board of Directors on 23 September 2014.

JOSE MANUEL **MARTINEZ GUTIERREZ**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 106 to 135 form an integral part of these consolidated financial statements.

07.5 Statement of financial position

	Notes	2014 HK$ million	2013 HK$ million
		As at 30 June	
Non-current assets			
Investments in subsidiaries, unlisted and at cost	31	**1,214**	1,177
Current assets			
Amounts due from subsidiaries	30(a)	**10,589**	10,649
Tax receivable		**1**	1
Cash, bank balances and deposits		**4**	18
		10,594	10,668
Current liabilities			
Amounts due to subsidiaries	30(a)	**10**	9
Accrued charges		**14**	27
		24	36
Net current assets		**10,570**	10,632
Total assets less current liabilities		**11,784**	11,809
Equity			
Share capital	20	**194**	194
Reserves	30(b)	**11,590**	11,615
Total equity		**11,784**	11,809

Approved by the Board of Directors on 23 September 2014.

JOSE MANUEL **MARTINEZ GUTIERREZ**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 106 to 135 form an integral part of these consolidated financial statements.

07.6 Consolidated statement of cash flows

	Notes	2014 HK$ million	2013 HK$ million
		For the year ended 30 June	
Cash flows from operating activities			
Cash generated from/(used in) operations	25	**2,006**	(417)
Hong Kong profits tax paid		**(119)**	(101)
Overseas tax paid, net		**(469)**	(239)
Net cash generated from/(used in) operating activities		**1,418**	(757)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(375)**	(919)
Proceeds from disposal of property, plant and equipment	25	**16**	5
Interest received		**55**	51
Net decrease/(increase) in bank deposits with maturities of more than three months		**617**	(2,987)
Net cash generated from/(used in) investing activities		**313**	(3,850)
Cash flows from financing activities			
Net proceeds from rights issue		**–**	5,037
Net proceeds on issue of shares for cash		**31**	11
Dividends paid		**(56)**	(281)
Proceeds from short-term bank loans		**–**	378
Repayment of short-term bank loans		**–**	(500)
Repayment of long-term bank loans		**(260)**	(1,040)
Interest paid on bank loans		**(4)**	(24)
Net cash (used in)/generated from financing activities		**(289)**	3,581
Net increase/(decrease) in cash and cash equivalents		**1,442**	(1,026)
Cash and cash equivalents at beginning of year		**2,182**	3,171
Effect of change in exchange rates		**37**	37
Cash and cash equivalents at end of year		**3,661**	2,182
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**2,930**	1,723
Bank deposits		**3,101**	3,448
Cash, bank balances and deposits	19	**6,031**	5,171
Less: bank deposits with maturities of more than three months		**(2,370)**	(2,989)
		3,661	2,182

The notes on pages 106 to 135 form an integral part of these consolidated financial statements.

07.7 Consolidated statement of changes in equity

For the year ended 30 June 2014

	Share capital HK$ million	Share premium HK$ million	Employee share-based payment reserve HK$ million	Hedging reserve HK$ million	Contributed surplus HK$ million	Translation reserve HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2013	194	8,160	739	85	7	447	1	6,963	16,596
Exchange translation	–	–	–	–	–	207	–	–	207
Fair value loss on cash flow hedge									
– net fair value loss	–	–	–	(196)	–	–	–	–	(196)
– transferred to income statement – exchange difference	–	–	–	4	–	–	–	–	4
– transferred to inventories	–	–	–	69	–	–	–	–	69
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	210	210
Total comprehensive income	–	–	–	(123)	–	207	–	210	294
Transactions with owners									
Issue of shares	–	31	–	–	–	–	–	–	31
Employee share option benefits	–	–	46	–	–	–	–	–	46
2013/14 interim dividend paid (Note 10)	–	2	–	–	–	–	–	(58)	(56)
Transfer of reserve upon exercise of share options	–	11	(11)	–	–	–	–	–	–
Total transactions with owners	–	44	35	–	–	–	–	(58)	21
At 30 June 2014	194	8,204	774	(38)	7	654	1	7,115	16,911
Representing:									
Proposed final dividend									78
Balance after proposed final dividend									16,833
At 30 June 2014									16,911

The notes on pages 106 to 135 form an integral part of these consolidated financial statements.

07.7 Consolidated statement of changes in equity

For the year ended 30 June 2013

	Share capital HK$ million	Share premium HK$ million	Employee share-based payment reserve HK$ million	Hedging reserve HK$ million	Contributed surplus HK$ million	Translation reserve HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2012	129	3,167	732	84	7	(156)	1	11,642	15,606
Exchange translation	–	–	–	–	–	603	–	–	603
Fair value gain on cash flow hedge									
– net fair value gain	–	–	–	40	–	–	–	–	40
– transferred to income statement – exchange difference	–	–	–	–	–	–	–	–	–
– transferred to inventories	–	–	–	(39)	–	–	–	–	(39)
Loss attributable to shareholders of the Company	–	–	–	–	–	–	–	(4,388)	(4,388)
Total comprehensive loss	–	–	–	1	–	603	–	(4,388)	(3,784)
Transactions with owners									
Issue of rights shares	65	4,972	–	–	–	–	–	–	5,037
Issue of shares	–	11	–	–	–	–	–	–	11
Employee share option benefits	–	–	7	–	–	–	–	–	7
2011/12 final dividend paid	–	10	–	–	–	–	–	(291)	(281)
Total transactions with owners	65	4,993	7	–	–	–	–	(291)	4,774
At 30 June 2013	194	8,160	739	85	7	447	1	6,963	16,596
Representing:									
Proposed final dividend									–
Balance after proposed final dividend									16,596
At 30 June 2013									16,596

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganization in 1993 and the nominal value of the Company's shares issued in exchange thereof.

The capital reserve of the Group represents a non-distributable reserve set aside by a subsidiary according to relevant statutory requirements.

The notes on pages 106 to 135 form an integral part of these consolidated financial statements.

07.8 Notes to the consolidated financial statements

For the year ended 30 June 2014

1. General information

Esprit Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in wholesale and retail distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known Esprit brand name.

The Company is a limited liability company incorporated in Bermuda. The registered address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (code: 00330) and also has its shares traded on the International Bulletin Board of the London Stock Exchange.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in millions of units of Hong Kong Dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 September 2014.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with IFRS.

In the current year, the Group has adopted the following International Accounting Standards ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretation effective for the Group's financial year beginning 1 July 2013:

IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures
IFRS 1 (Amendments)	Government Loans
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 10, 11, 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle

The adoption of these new standards, amendments to standards and interpretation has not had any significant impact on the Group's consolidated financial statements except for below:

IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRS. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurement. Details of these disclosures have been included in notes 16 and 28.

The Group has not early adopted the following IAS, IFRS and IFRIC interpretation that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
IAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 16 and 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
IAS 19 (Amendments)	Defined Benefit Plans – Employee Contributions	1 July 2014
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 9, 7 and IAS 39 (Amendments)	Financial Instruments – Hedge Accounting	1 January 2018
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities	1 January 2014
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRIC 21	Levies	1 January 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the other new and revised standards, interpretations and amendments per above-mentioned and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

When preparing the consolidated financial statements, management has adopted certain accounting, valuation and consolidation methods to comply with IFRS. The preparation of these consolidated financial statements also requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 "Critical accounting estimates and judgments".

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments and investment properties to fair value. The policies set out below have been consistently applied to all the years presented.

(b) Consolidation

(i) Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the Group remeasures its previously held interest in the acquiree at its fair value at the date when control is obtained, with any resulting gain or loss recognized in the income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Transactions with non-controlling interest
The Group treats transactions with non-controlling interest as transactions with equity holders of the Company. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong Dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(iii) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies (continued)

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are transferred to the income statement as part of the gain or loss on sale. When an inter-company loan balance which forms part of the net investment in a foreign entity is repaid, such exchange differences are transferred to the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

(e) Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold land and leasehold improvements are depreciated over the initial lease terms. Fixtures are depreciated over the shorter of five years and their estimated useful lives on a straight-line basis. Depreciation on other assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

Buildings	$3^1/_3$% – 5%
Plant and machinery	30%
Furniture and office equipment	10% – $33^1/_3$%
Motor vehicles	25% – 30%

No depreciation is provided for construction in progress until it is completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(f) Investment properties

Investment properties are interests in land and buildings which are held for long term and/or for capital appreciation. Such properties are carried in the statement of financial position at their fair values. Changes in fair values of investment properties are recognized directly in the income statement in the period in which they arise.

(g) Intangible assets

(i) Goodwill
Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill included in intangible assets is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Trademarks
Trademarks are shown at historical cost. Trademarks with indefinite useful lives are carried at cost less accumulated impairment losses, if any.

Trademarks with indefinite useful lives are not amortized but are tested for impairment (Note 2(h)).

(iii) Customer relationships
Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships have an expected life of 10 years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationships.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2. Summary of significant accounting policies (continued)

(h) Impairment of non-financial assets (continued)

For the purposes of assessing impairment, assets other than goodwill are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")). Goodwill is allocated to CGUs for the purposes of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Any goodwill impairment is recognized immediately as an expense and is not subsequently reversed.

(i) Inventories

Inventories are stated at the lower of cost and net realizable value with cost being determined on a weighted average basis. Cost comprises the direct costs of merchandise, charges that have been incurred in bringing inventories to their current location and condition and the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchase of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of provision is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

Receivables denominated in foreign currencies are translated at the year-end exchange rates. The resulting gains or losses are recorded in the consolidated income statement, with the exception of the gains or losses resulting from the translation of inter-company long-term loans, which are considered to form part of the net investment in the related subsidiaries because settlement is neither planned nor likely to occur in the foreseeable future. The impacts of translation of these items have been reflected in other comprehensive income.

(k) Payables

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Payables denominated in foreign currencies are translated at the year-end exchange rates. The resulting gains or losses are recorded in the consolidated income statement, with the exception of the gains or losses resulting from the translation of inter-company long-term loans. The impacts of translation of these items have been reflected in other comprehensive income.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown under current liabilities on the statement of financial position.

(m) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognized in the income statement in the period in which they are incurred.

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies (continued)

(o) Current and deferred tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Employee benefits

(i) Pension obligations
The Group principally participates in defined contribution plans and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and if applicable, are reduced by contributions forfeited by those employees who leave the scheme or the plan prior to vesting fully in the contributions.

(ii) Share options
The Group operates an equity-settled, share-based compensation plan to grant share options to directors, employees and consultants of the Group in exchange for their services provided to the Group. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the share options granted is recognized as an expense over the relevant period of the service (the vesting period of the share options). The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to be vested. The Group recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

When the share options are exercised, the proceeds received net of any directly attributable transactions cost are credited to share capital and share premium.

The grant of share options by the Company over its equity instruments to the employees of subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognized over the vesting period as an increase to investment in subsidiaries with a corresponding credit to equity.

(iii) Employee leave entitlements
Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

(iv) Bonus plans
The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(q) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(i) Sales of goods – wholesale
Sales of goods are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customer and title has been passed.

(ii) Sales of goods – retail
Sales of goods are recognized on sale of a product to the customer. Retail sales are mainly in cash or by credit card.

(iii) Licensing income
Licensing income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(iv) Interest income
Interest income is recognized on a time proportion basis using the effective interest method.

2. Summary of significant accounting policies (continued)

(s) Accounting for derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

The method of recognizing the resulting gain or loss where the derivative is designated as a hedging instrument depends on the nature of the item being hedged. The Group can designate certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group is required to document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group is also required to document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the income statement on a straight-line basis over the period of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(u) Dividend distributions

Dividend distributions to the Company's shareholders are recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(v) Financial guarantee

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value on the date the guarantee was given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the date of the statement of financial position and the initial measurement. These estimates are determined based on debtors' payment history, supplemented by the judgment of management of the Group.

3. Financial risk management and fair value

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, mainly foreign exchange risk and credit risk. The Group's overall risk management programme focuses on minimizing the potential adverse effects of these risks on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk primarily arises from future commercial transactions and recognized monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

To minimize the Group's foreign exchange exposure on costs for merchandise produced for Europe in Asia, majority of the suppliers in Asia were asked to quote and settle in US dollar. In addition, to manage the foreign exchange risk arising from future commercial transactions, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge the foreign exchange risk.

The Group's profit attributable to shareholders of the Company would increase by approximately **HK$2 million** (2013: increase by approximately HK$16 million) and total equity would decrease by approximately **HK$17 million** (2013: decrease by approximately HK$25 million) in response to a 1% strengthening in Euro vs US Dollars in relation to monetary items and derivative financial instruments in existence at the date of the statement of financial position.

(ii) Credit risk
The Group's credit risk is primarily attributable to trade and other debtors and deposits with banks.

There is no concentration of credit risk with respect to trade debtors as the Group has a large number of internationally dispersed customers. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash, bank transfer or by credit card. The Group grants credit for a period which is usually 30 to 60 days to certain wholesale and franchise customers. The Group does not hold any collateral over the trade debtors. The Group manages the credit risk mainly by purchasing credit guarantee insurance and arranging the trade debtors to be covered by letters of credit or bank guarantees. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilization of credit limits is regularly monitored.

The Group has a group credit control policy in place to promote good practice in credit control procedures across the Group and protect and limit the Group's overall exposure to credit risks. This policy provides the general principle to guide the credit management process by setting forth the general acceptable practices for limiting credit exposures and in particular, the establishment of the regional and country credit limit for control of credit.

The credit risk on deposits with banks is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

(iii) Liquidity risk
The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, by keeping sufficient cash, bank balances and deposits and by maintaining adequate banking facilities.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$ million	**Between 1 and 2 years HK$ million**	**Between 2 and 5 years HK$ million**
At 30 June 2014			
Creditors and accrued charges (Note)	**4,120**	**–**	**–**
Bank loans	**261**	**–**	**–**
	4,381	**–**	**–**
At 30 June 2013			
Creditors and accrued charges (Note)	3,951	–	–
Bank loans	523	–	–
	4,474	–	–

Note: Included in creditors and accrued charges with a maturity less than 1 year are derivative financial instruments of **HK$10 million** (2013: HK$48 million).

(iv) Interest rate risk
The Group's interest rate risk arises primarily from bank loans. Bank loans at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group earns interest income on cash deposits.

The Group monitors closely its interest rate risk exposure and considers hedging significant interest rate risk exposure should the need arise.

At 30 June 2014, if the variable interest rates on the bank loans had been 100 basis points higher with all other variables held constant, the Group's profit for the year attributable to shareholders of the Company would decrease by approximately **HK$4 million** (2013: decrease by approximately HK$12 million).

3. Financial risk management and fair value (continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure consists of equity, cash, bank balances and deposits, and bank loans as shown in the consolidated statement of financial position.

The Group's capital structure is being reviewed annually to ensure these objectives are to be achieved. In order to maintain or adjust the capital structure, the Group will consider the macroeconomic conditions, prevailing interest rates and adequacy of cash flows generating from operations and may adjust the amounts of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital by maintaining a net cash position throughout the year. Net cash position is calculated by cash, bank balances and deposits less interest bearing borrowings. As at 30 June 2014, the Group maintained a net cash position of **HK$5,771 million** (2013: HK$4,651 million).

(c) Fair value estimation

IFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Group's derivative financial instruments measured at fair value are described in note 28. These derivative financial instruments are all measured at fair value based on Level 2 of the fair value measurement hierarchy.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful life and impairment of trademarks

(i) Indefinite useful life
The Group's acquired Esprit trademarks are classified as an indefinite-lived intangible asset in accordance with IAS 38 "Intangible Assets". This conclusion is supported by the fact that Esprit trademark legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, relate to a well known and long established fashion brand since 1968, and based on the future financial performance of the Group, they are expected to generate positive cash flows indefinitely. This view was supported by an independent professional appraiser, who was appointed by the Group to perform an assessment of the useful life of Esprit trademarks in accordance with the requirements set out in IAS 38. Having considered the factors specific to the Group, the appraiser opined that Esprit trademarks should be regarded as an intangible asset with an indefinite useful life. Under IAS 38, the Group re-evaluates the useful life of Esprit trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for this asset. Having considered the current circumstances, relevant legal and regulatory factors and business plan, management considers the classification of the trademark as indefinite-lived intangible asset is appropriate.

(ii) Impairment
In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for Esprit trademarks by comparing their recoverable amount to their carrying amount as at 30 June 2014. The Group conducted an internal valuation of the Esprit trademarks as one corporate asset based on a fair value less costs of disposal calculation as of 30 June 2014. For the last financial year, the Group appointed an independent professional valuer to conduct an external valuation. This valuation uses cash flow projections based on financial estimates covering a three-year period, expected royalty rates deriving from the Esprit trademarks in the range of **3% to 4%** (2013: 3% to 6%) and a post-tax discount rate of **14%** (2013: 14%). The cash flows beyond the three-year period are extrapolated using a steady **3%** (2013: 3%) growth rate. This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates. Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward, the current wholesale order books and the strategic retail expansion worldwide and believes that there is no impairment in the Esprit trademarks.

4. Critical accounting estimates and judgments (continued)

(b) Impairment of goodwill

In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amount to their carrying amount as at the date of the statement of financial position. Goodwill impairment review has been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on fair value less costs of disposal calculations.

In the current year, the calculation of the recoverable amount of the China businesses use cash flow projections based on financial budgets approved by management covering a seven-year period and a post-tax discount rate of **11%** (2013: 11%). Cash flows beyond the seven-year period are extrapolated using a steady growth rate of **3%** (2013: 3%) which does not exceed the long term average growth rate in China market. Based on the goodwill impairment assessment, there was no indication of impairment arising on goodwill for the year ended 30 June 2014 (2013: impairment charge of HK$1,996 million).

If the budgeted sales growth in the financial budget covering the seven-year period used in the calculation had been lower by 1% point, the Group would have recognized a further impairment against goodwill of **HK$90 million**. If the post-tax discount rate used in the calculation had been higher by 1% point, the Group would have recognized a further impairment against goodwill of **HK$424 million**.

(c) Impairment of property, plant and equipment

In accordance with IAS 36 "Impairment of Assets", the Group assesses annually whether property, plant and equipment have any indication of impairment. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgments and estimates.

(d) Net realizable value of inventories

In accordance with IAS 2 "Inventories", the Group estimates annually the net realizable value of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

(e) Income and other taxes

The Group is subject to income and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes, as current liabilities, liabilities for anticipated tax audit issues based on estimates of whether additional taxes will eventually be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and other taxes and deferred tax provisions in the period in which such determination is made.

(f) Provision for store closures and leases

The provision for store closures and leases of the Group consists of provisions for store closures and onerous leases for loss-making stores, compensation to staff and other related costs in connection with the announced store closures and provision for onerous contracts for loss-making stores.

The Group recognizes and measures a provision for store closures and leases for loss-making stores as a provision for onerous contract. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

The Group recognizes a provision for store closures and leases based on the estimated unavoidable costs of meeting all leases and other obligations under the retail stores, net of economic benefits expected to be received from the stores, if any. The Group estimates the provision based on the amount of compensation payment agreed with the landlord as a result of early termination of leases, unfulfilled lease obligations, and economic benefits estimated to be received from fulfilling the lease contracts. Management also consults with retail agencies for certain locations in respect of the current market trends. The Group also estimates the provision based on past experience of payout ratio of the total compensation to the landlords. Estimates differ depending on the current rent, location, lease exit terms and management's assessment of when the lease term can be terminated early and expected benefits to be received from fulfilling the leases. Except for stores which termination contracts have already been agreed with the landlords, the settlement of these contracts may be different from the Group's estimation subject to the negotiation with the landlords and the economic benefits estimated to be received.

The Group recognizes a provision for compensation to staff when the Group has a detailed formal plan for store closures and has communicated the plan to the employees affected by it. The Group recognizes a provision for other related costs when obligations for direct expenditures necessarily entailed by the plan for store closures and not associated with the ongoing activities of the Group arise.

5. Turnover and segment information

The Group is principally engaged in wholesale and retail distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known Esprit brand name.

	2014 HK$ million	2013 HK$ million
Revenue		
Wholesale	**8,835**	10,062
Retail	**15,220**	15,652
Licensing and other income	**172**	188
	24,227	25,902

The chief operating decision maker has been identified as the executive directors ("Executive Directors") of the Group.

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to assess performance and allocate resources.

The Executive Directors consider the business from an operations nature perspective, including wholesale and retail distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known Esprit brand name.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

5. Turnover and segment information (continued)

	For the year ended 30 June 2014				
	Wholesale HK$ million	**Retail HK$ million**	**Licensing HK$ million**	**Corporate services, sourcing and others HK$ million**	**Group HK$ million**
Total revenue	**8,835**	**15,220**	**170**	**20,736**	**44,961**
Inter-segment revenue	**–**	**–**	**–**	**(20,734)**	**(20,734)**
Revenue from external customers	**8,835**	**15,220**	**170**	**2**	**24,227**
Segment results/EBIT	**968**	**610**	**137**	**(1,354)**	**361**
Interest income					**55**
Finance costs					**(37)**
Profit before taxation					**379**
Capital expenditure	**57**	**199**	**–**	**119**	**375**
Depreciation	**57**	**418**	**–**	**358**	**833**
Impairment of property, plant and equipment	**1**	**79**	**–**	**–**	**80**
Additional provision for store closures and leases	**–**	**106**	**–**	**–**	**106**

	For the year ended 30 June 2013				
	Wholesale HK$ million	Retail HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	10,062	15,652	172	22,504	48,390
Inter-segment revenue	–	–	–	(22,488)	(22,488)
Revenue from external customers	10,062	15,652	172	16	25,902
Segment results	972	(1,104)	142	(2,184)	(2,174)
Impairment of goodwill (Note)	(1,822)	(174)	–	–	(1,996)
LBIT					(4,170)
Interest income					51
Finance costs					(30)
Loss before taxation					(4,149)
Capital expenditure	49	559	–	311	919
Depreciation	50	509	–	307	866
Impairment of property, plant and equipment	2	343	–	1	346
Additional/(write-back of) provision for store closures and leases	–	446	–	(20)	426

Note: Based on the goodwill impairment assessment, an impairment charge of HK$1,996 million for the China goodwill was recognized for the year ended 30 June 2013.

5. Turnover and segment information (continued)

Turnover from external customers is attributed to the following countries based on the location in which the sales originated:

	2014 HK$ million	2013 HK$ million
Europe		
Germany (Note 1)	**11,342**	11,270
Rest of Europe		
Benelux	**3,084**	3,236
France	**1,583**	1,619
Switzerland	**1,158**	1,149
Austria	**1,127**	1,174
Scandinavia	**910**	1,106
United Kingdom	**287**	307
Spain	**229**	218
Italy	**149**	132
Portugal	**10**	12
Ireland	**9**	21
Others (Notes 1, 2 and 3)	**505**	686
	9,051	9,660
	20,393	20,930
Asia Pacific		
China	**1,764**	2,416
Australia and New Zealand	**466**	688
Hong Kong	**401**	456
Singapore	**348**	420
Malaysia	**251**	285
Taiwan	**201**	232
Macau	**123**	118
Others (Note 3)	**140**	156
	3,694	4,771
North America		
United States	**140**	143
Canada	**–**	58
	140	201
	24,227	25,902

Note 1: For the year ended 30 June 2014, Germany wholesale sales to other European countries mainly Russia, Poland and Bulgaria have been re-grouped to others under Rest of Europe. Comparative figures have been restated accordingly.

Note 2: Others sales include wholesale sales to other countries mainly Russia, Chile, Colombia, the Middle East, Poland and Bulgaria.

Note 3: For the year ended 30 June 2014, Macau wholesale sales to Chile, Colombia and the Middle East have been re-grouped to others under Rest of Europe while Macau wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped to others under Asia Pacific. Comparative figures have been restated accordingly.

Non-current assets other than deferred tax assets and financial instruments are located in the following countries:

	2014 HK$ million	2013 HK$ million
Hong Kong	**251**	290
Germany	**2,873**	3,097
Other countries (Note)	**6,534**	6,754
	9,658	10,141

Note: Non-current assets located in other countries include intangible assets of **HK$5,670 million** (2013: HK$5,763 million) (Note 14).

During the year, the turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover (2013: less than 10%).

6. Operating profit/(loss) (EBIT/(LBIT))

	2014 HK$ million	2013 HK$ million
EBIT/(LBIT) is arrived at after charging and (crediting) the following:		
Auditor's remuneration	**14**	15
Depreciation	**833**	866
Amortization of customer relationships	**66**	64
Impairment of goodwill	**–**	1,996
Impairment of property, plant and equipment		
– store closures and leases	**–**	102
– others	**80**	244
Additional provision for store closures and leases	**106**	426
Loss on disposal of property, plant and equipment	**5**	24
Occupancy costs		
– operating lease charge (including variable rental of **HK$395 million** (2013: HK$450 million))	**2,841**	2,946
– other occupancy costs	**744**	780
Cash flow hedges:		
– ineffective portion transferred from equity to exchange losses on forward foreign exchange contracts	**4**	–
– ineffective portion recognized in exchange gains on forward foreign exchange contracts not qualifying for hedge accounting	**(46)**	(1)
Fair value hedges:		
– exchange loss on forward foreign exchange contracts	**1**	–
Other net exchange gains	**(107)**	(72)
(Write-back of)/provision for obsolete inventories, net	**(67)**	527
Provision for impairment of trade debtors, net	**176**	312

7. Finance costs

	2014 HK$ million	2013 HK$ million
Interest on bank loans wholly repayable within five years	**4**	23
Imputed interest on financial assets and financial liabilities	**33**	7
	37	30

8. Taxation

	2014 HK$ million	2013 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**4**	3
Overseas taxation		
Provision for current year	**160**	328
Under-provision for prior years	**34**	33
	198	364
Deferred tax (Note 24)		
Current year net credit	**(33)**	(131)
Effect of changes in tax rates	**4**	6
Taxation	**169**	239

Hong Kong profits tax is calculated at **16.5%** (2013: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The effective tax rate was **44.7%** (2013: -5.8%).

	2014 HK$ million	2013 HK$ million
Profit/(loss) before taxation	**379**	(4,149)
Tax calculated at applicable tax rates	**221**	96
Expenses not deductible for tax purposes	**61**	35
Non-taxable income	**(10)**	(20)
Utilization of previously unrecognized tax losses	**–**	(1)
Tax effect of tax losses not recognized	**31**	29
Under-provision for prior years, net	**34**	33
Tax effect on deferred tax balances due to changes in income tax rates	**4**	6
Temporary differences not recognized	**(14)**	53
Tax on undistributed earnings	**(158)**	8
Taxation	**169**	239

During the last financial year, the Inland Revenue Department of Hong Kong ("IRD") had initiated tax inquiries and issued notices of tax assessment for additional tax in an aggregate sum of approximately HK$449 million for the year of assessment 2006/2007 concerning taxability of income generated by a subsidiary engaged in the distribution operation of the Group. Objections and holdover applications against the additional tax assessment had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of a tax reserve certificate ("TRC") of HK$99 million. The TRC was purchased in the last financial year. During this financial year, the IRD issued notices of tax assessment for additional tax in an aggregate sum of approximately HK$550 million for the year of assessment 2007/2008. Objections and holdover applications against the additional tax assessment had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of a TRC of HK$118 million. The TRC was purchased in this financial year. While the ultimate outcome of these tax inquiries cannot presently be determined, after considering the advice from the Group's tax advisor and based on the current facts and circumstances, the Directors of the Company are of the opinion that adequate provision has been made in the Group's consolidated financial statements.

In June 2014, a subsidiary of the Group in Germany received a letter from the tax authority in relation to a dispute on a value-added-tax ("VAT") matter involving payment of interests totaling approximately HK$780 million, to which the company had lodged objection. Based on the advice from the Group's tax advisor, the Board of Directors considers that the payment of interests is unlikely, and therefore no additional provision has been made.

9. Loss attributable to shareholders of the Company

The loss attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of **HK$46 million** (2013: HK$60 million) (Note 30).

10. Dividends

	2014 HK$ million	2013 HK$ million
Paid interim dividend of **HK$0.03** (2013: Nil) per share	**58***	–
Proposed final dividend of **HK$0.04** (2013: Nil) per share	**78**	–
	136	–

10. Dividends (continued)

The amount of the 2014 proposed final dividend is based on **1,942,665,480** shares in issue as at **23 September 2014**. The proposed final dividend for 2014 will not be reflected as dividend payable in the statement of financial position until it is approved at the forthcoming annual general meeting by the shareholders of the Company. The Board of Directors has recommended to provide the shareholders with an option to receive the final dividend in form of new fully paid shares in lieu of cash.

* The actual interim dividend paid in cash for the year ended 30 June 2014 was HK$56 million. Part of the interim dividend for the year ended 30 June 2014 amounting to HK$2 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the interim dividend, the market value of the scrip shares was HK$14.37 per share, which was the average closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 4 March 2014.

11. Earnings/(loss) per share

Basic

Basic earnings or loss per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**210**	(4,388)
Weighted average number of ordinary shares in issue (million)	**1,940**	1,754
Basic earnings/(loss) per share (HK$ per share)	**0.11**	(2.50)

Diluted

Diluted earnings or loss per share is calculated based on the profit or loss attributable to shareholders of the Company, and the weighted average number of shares in issue during the year after adjusting for the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares for the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**210**	(4,388)
Weighted average number of ordinary shares in issue (million)	**1,940**	1,754
Adjustments for share options (million)	**5**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,945**	1,754
Diluted earnings/(loss) per share (HK$ per share)	**0.11**	(2.50)

Diluted loss per share for the year ended 30 June 2013 was the same as the basic loss per share since the share options had anti-dilutive effect.

12. Staff costs (including directors' emoluments)

	2014 HK$ million	2013 HK$ million
Salaries and wages	**3,010**	3,264
Social security costs and other staff costs	**702**	837
Pensions costs of defined contribution plans	**93**	108
Employee share option benefits	**46**	7
	3,851	4,216

Defined contribution retirement schemes

The Group principally participates in defined contribution plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by HSBC Provident Fund Trustee (Hong Kong) Limited. Contributions at a fixed rate of 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 per employee on or after 1 June 2014, and HK$25,000 per employee before 1 June 2014, are made to the scheme and are vested immediately. The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts.

Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the year, the Group did not have any contributions forfeited in accordance with the schemes' rules (2013: nil) which have been applied towards the contributions payable by the Group.

13. Directors' and senior management's emoluments

(a) Directors' emoluments

Name of Director	Fees[6] HK$'000	Basic salaries, allowance and benefits in kind HK$'000	Bonuses HK$'000	Inducement fee HK$'000	Share option benefits HK$'000	Provident fund contributions/ retirement benefit costs HK$'000	2014 Total emoluments HK$'000	2013 Total emoluments HK$'000
Jose Manuel **MARTINEZ GUTIERREZ**[5,7]	**-**	**16,328 (EUR1,551,291)**	**13,156 (EUR1,250,000)**	**-**	**6,093 (EUR578,883)**	**6 (EUR601)**	**35,583 (EUR3,380,775)**	26,739 (EUR2,663,477)
Thomas **TANG** Wing Yung	**-**	**8,065**	**2,656**	**-**	**2,964**	**15**	**13,700**	9,357
Raymond **OR** Ching Fai[2,3,4,5]	**2,150**	**-**	**-**	**-**	**-**	**-**	**2,150**	2,230
Paul **CHENG** Ming Fun[2,3,4,5]	**1,465**	**-**	**-**	**-**	**-**	**-**	**1,465**	796
Jürgen Alfred Rudolf **FRIEDRICH**[1,3,4,5]	**665**	**-**	**-**	**-**	**-**	**-**	**665**	622
Alexander Reid **HAMILTON**[2,3,4,5]	**735**	**-**	**-**	**-**	**-**	**-**	**735**	735
Norbert Adolf **PLATT**[2,3,5,8]	**665**	**-**	**-**	**-**	**-**	**-**	**665**	377
Carmelo **LEE** Ka Sze[2,4,5,9]	**585**	**-**	**-**	**-**	**-**	**-**	**585**	-
Eva **CHENG LI** Kam Fun[2,3,5,10]	**665**	**-**	**-**	**-**	**-**	**-**	**665**	377
Ronald **VAN DER VIS**[11]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	2,961 (EUR294,924)
Total for the year 2014	**6,930**	**24,393**	**15,812**	**-**	**9,057**	**21**	**56,213**	
Total for the year 2013	5,137	31,860	28,040	12,549	(33,407)	15		44,194

1 Non-executive Director
2 Independent Non-executive Director
3 Members of the Audit Committee
  (a) From 1 July 2012 to 5 December 2012 – Mr Alexander Reid HAMILTON (Chairman), Mr Raymond OR Ching Fai and Mr Paul CHENG Ming Fun
  (b) From 6 December 2012 to 30 June 2014 – Mr Alexander Reid HAMILTON (Chairman), Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT
4 Members of the Nomination Committee
  (a) From 1 July 2012 to 25 September 2012 – Mr Paul CHENG Ming Fun (Chairman), Mr Raymond OR Ching Fai, Mr Jürgen Alfred Rudolf FRIEDRICH and Mr Ronald VAN DER VIS
  (b) From 26 September 2012 to 5 December 2012 – Mr Paul CHENG Ming Fun (Chairman), Mr Raymond OR Ching Fai and Mr Jürgen Alfred Rudolf FRIEDRICH
  (c) From 6 December 2012 to 9 September 2013 – Mr Raymond OR Ching Fai (Chairman), Mr Paul CHENG Ming Fun and Mr Alexander Reid HAMILTON
  (d) From 10 September 2013 to 30 June 2014 – Mr Raymond OR Ching Fai (Chairman), Mr Paul CHENG Ming Fun, Mr Alexander Reid HAMILTON and Mr Carmelo LEE Ka Sze
5 Members of the Remuneration Committee
  (a) From 1 July 2012 to 25 September 2012 – Mr Raymond OR Ching Fai (Chairman), Mr Alexander Reid HAMILTON and Mr Ronald VAN DER VIS
  (b) From 26 September 2012 to 5 December 2012 – Mr Raymond OR Ching Fai (Chairman) and Mr Alexander Reid HAMILTON
  (c) From 6 December 2012 to 9 September 2013 – Mr Paul CHENG Ming Fun (Chairman), Mr Jose Manuel MARTINEZ GUTIERREZ, Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT
  (d) From 10 September 2013 to 30 June 2014 – Mr Paul CHENG Ming Fun (Chairman), Mr Jose Manuel MARTINEZ GUTIERREZ, Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Eva CHENG LI Kam Fun, Mr Norbert Adolf PLATT and Mr Carmelo LEE Ka Sze
6 The amount includes directors' fees of **HK$6.3 million** (2013: HK$4.5 million) paid to Independent Non-executive Directors
7 Mr Jose Manuel MARTINEZ GUTIERREZ was appointed as Executive Director and Group Chief Executive Officer with effect from 26 September 2012
8 Mr Norbert Adolf PLATT was appointed as Independent Non-executive Director with effect from 6 December 2012
9 Mr Carmelo LEE Ka Sze was appointed as Independent Non-executive Director with effect from 25 July 2013
10 Mrs Eva CHENG LI Kam Fun resigned as Independent Non-executive Director with effect from 30 June 2014
11 Mr Ronald VAN DER VIS resigned as Executive Director and Group Chief Executive Officer with effect from 26 September 2012

13. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included **two** (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining **three** (2013: three) individuals during the year are listed below:

	2014 HK$'000	2013 HK$'000
Salaries, housing and other allowances and benefits in kind	**23,906**	24,761
Bonuses	**11,043**	24,151
Share option benefits	**13,594**	14,781
Pensions costs of defined contribution plans	**24**	72
	48,567	63,765

The emoluments fell within the following bands:

	Number of individuals	
Emoluments band	**2014**	2013
HK$15,000,001 – HK$ 15,500,000	**1**	–
HK$15,500,001 – HK$ 16,000,000	**1**	–
HK$17,000,001 – HK$ 18,000,000	**1**	–
HK$21,000,001 – HK$ 21,500,000	**–**	2
HK$21,500,001 – HK$ 22,000,000	**–**	1

14. Intangible assets

	Trademarks HK$ million	Goodwill HK$ million	Customer relationships HK$ million	Total HK$ million
Cost				
At 1 July 2013	**1,990**	**5,334**	**654**	**7,978**
Exchange translation	**13**	**(61)**	**(8)**	**(56)**
At 30 June 2014	**2,003**	**5,273**	**646**	**7,922**
Amortization and impairment				
At 1 July 2013	**-**	**1,994**	**221**	**2,215**
Exchange translation	**-**	**(25)**	**(4)**	**(29)**
Amortization charge	**-**	**-**	**66**	**66**
At 30 June 2014	**-**	**1,969**	**283**	**2,252**
Net book value				
At 30 June 2014	**2,003**	**3,304**	**363**	**5,670**
Cost				
At 1 July 2012	1,975	5,157	632	7,764
Exchange translation	15	177	22	214
At 30 June 2013	1,990	5,334	654	7,978
Amortization and impairment				
At 1 July 2012	-	-	151	151
Exchange translation	-	(2)	6	4
Amortization charge	-	-	64	64
Impairment charge	-	1,996	-	1,996
At 30 June 2013	-	1,994	221	2,215
Net book value				
At 30 June 2013	1,990	3,340	433	5,763

Trademarks

The trademarks are considered to have an indefinite useful life and were tested for impairment at 30 June 2014, as described in note 4(a). The recoverable amount of the Esprit trademarks as at 30 June 2014 was higher than their carrying amount.

Goodwill

The goodwill arising from the business combinations during the year ended 30 June 2010 was allocated to the Group's CGUs identified according to operating segment. An operating segment-level summary of the goodwill allocation as at 30 June 2014 is presented below:

	2014			2013		
	Wholesale HK$ million	**Retail HK$ million**	**Total HK$ million**	Wholesale HK$ million	Retail HK$ million	Total HK$ million
China (Note)	**1,307**	**1,898**	**3,205**	1,324	1,922	3,246
Finland	**42**	**-**	**42**	40	-	40
Total	**1,349**	**1,898**	**3,247**	1,364	1,922	3,286

Note: Based on the goodwill impairment assessment, there was no indication of impairment arising on China goodwill for the year ended 30 June 2014 (2013: impairment charge of HK$1,996 million).

15. Property, plant and equipment

	Freehold land outside Hong Kong HK$ million	Leasehold land in Hong Kong HK$ million	Buildings HK$ million	Leasehold improvements and fixtures HK$ million	Plant and machinery HK$ million	Furniture and office equipment HK$ million	Motor vehicles HK$ million	Construction in progress HK $ million	Total HK$ million
Cost									
At 1 July 2013	25	196	385	4,833	490	4,061	56	191	10,237
Exchange translation	–	–	10	207	22	173	2	9	423
Additions	–	–	1	206	18	115	9	26	375
Transfer	–	–	–	10	–	165	–	(175)	–
Disposals	–	–	(3)	(802)	(7)	(208)	(13)	(2)	(1,035)
At 30 June 2014	25	196	393	4,454	523	4,306	54	49	10,000
Depreciation and impairment									
At 1 July 2013	–	44	133	3,433	48	2,181	35	–	5,874
Exchange translation	–	–	3	154	3	94	1	–	255
Depreciation charge for the year	–	4	12	353	42	411	11	–	833
Disposals	–	–	(2)	(788)	(7)	(205)	(12)	–	(1,014)
Impairment charge	–	–	–	69	–	11	–	–	80
At 30 June 2014	–	48	146	3,221	86	2,492	35	–	6,028
Net book value									
At 30 June 2014	25	148	247	1,233	437	1,814	19	49	3,972

	Freehold land outside Hong Kong HK$ million	Leasehold land in Hong Kong HK$ million	Buildings HK$ million	Leasehold improvements and fixtures HK$ million	Plant and machinery HK$ million	Furniture and office equipment HK$ million	Motor vehicles HK$ million	Construction in progress HK $ million	Total HK$ million
Cost									
At 1 July 2012	24	196	222	4,555	11	2,614	53	1,855	9,530
Exchange translation	1	–	3	149	–	107	2	92	354
Additions	–	–	16	439	59	210	10	185	919
Transfer	–	–	144	56	421	1,320	–	(1,941)	–
Disposals	–	–	–	(366)	(1)	(190)	(9)	–	(566)
At 30 June 2013	25	196	385	4,833	490	4,061	56	191	10,237
Depreciation and impairment									
At 1 July 2012	–	39	120	2,980	11	1,858	33	–	5,041
Exchange translation	–	–	2	80	–	75	1	–	158
Depreciation charge for the year	–	5	11	409	38	393	10	–	866
Disposals	–	–	–	(345)	(1)	(182)	(9)	–	(537)
Impairment charge	–	–	–	309	–	37	–	–	346
At 30 June 2013	–	44	133	3,433	48	2,181	35	–	5,874
Net book value									
At 30 June 2013	25	152	252	1,400	442	1,880	21	191	4,363

The leasehold land in Hong Kong is held on medium-term (10 to 50 years) leases and is held under finance leases.

16. Investment properties

	2014 HK$ million	2013 HK$ million
At 1 July	15	13
Change in fair value of investment properties	1	2
At 30 June	16	15

The investment properties represent certain medium-term leasehold land and buildings located in the People's Republic of China. An independent professional valuer, American Appraisal China Limited, valued the properties at 30 June 2014 on an open market value basis at **HK$16 million** (2013: HK$15 million).

The fair values of the investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

The following table presents the carrying value of investment properties measured at fair value according to the levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement", with the fair value of each asset and liability categorized based on the lowest level of input that is significant to that fair value measurement.

	For the year ended 30 June 2014			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Recurring fair value measurements:				
Assets				
Investment properties:				
- Land and building in PRC	-	16	-	16

During the year, there were no transfers between Level 1 and Level 2.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

17. Inventories

	2014 HK$ million	2013 HK$ million
Finished goods	3,126	3,020
Consumables	128	189
	3,254	3,209

18. Debtors, deposits and prepayments

	2014 HK$ million	2013 HK$ million
Trade debtors	2,490	2,826
Less: provision for impairment of trade debtors	(436)	(511)
	2,054	2,315
Deposits	196	200
Prepayments	295	400
Other debtors and receivables	490	844
	3,035	3,759
Non-current portion of deposits	(144)	(157)
Non-current portion of prepayments	(150)	(209)
Non-current portion of other debtors and receivables	(18)	(18)
Current portion	2,723	3,375
Maximum exposure to credit risk	2,740	3,359

The aging analysis by due date of trade debtors net of provision for impairment is as follows:

	2014 HK$ million	2013 HK$ million
Current portion	1,488	1,666
1-30 days	139	171
31-60 days	78	114
61-90 days	58	62
Over 90 days	291	302
Amount past due but not impaired	566	649
	2,054	2,315

The carrying amounts of debtors, deposits and prepayments approximate their fair values.

There is no concentration of credit risk with respect to trade debtors as the Group has a large number of internationally dispersed customers.

Concerning trade debtors that are neither impaired nor past due, there were no indications at the date of the statement of financial position that defaults in payment obligations will occur as these relate to a number of independent customers for whom there is no recent history of default.

Movements in provision for impairment of trade debtors are as follows:

	2014 HK$ million	2013 HK$ million
At 1 July	511	357
Provision for impairment of trade debtors	216	355
Bad debts written off	(270)	(173)
Unused amounts reversed	(40)	(43)
Exchange translation	19	15
At 30 June	436	511

The individually impaired receivables mainly relate to wholesalers which have unexpected liquidity problems.

19. Cash, bank balances and deposits

Cash, bank balances and deposits include the following for the purposes of the consolidated statement of cash flows:

	2014 HK$ million	2013 HK$ million
Bank balances and cash	**2,930**	1,723
Bank deposits with maturities within three months	**731**	459
Bank deposits with maturities of more than three months	**2,370**	2,989
	6,031	5,171

The maximum exposure to credit risk as at 30 June 2014 is the carrying amount of bank balances and bank deposits.

The effective interest rate on cash, bank balances and deposits for the year was determined to be **0.9%** (2013: 0.9%) per annum.

20. Share capital

	Number of shares of HK$0.10 each million	HK$ million
Authorized:		
At 1 July 2012	2,000	200
Increase	1,000	100
At 30 June 2013 and 30 June 2014	**3,000**	**300**

	Number of shares of HK$0.10 each million	Nominal value HK$ million
Issued and fully paid:		
At 1 July 2013	**1,939**	**194**
Exercise of share options (Note (a))	**3**	**–**
Issue of scrip shares (Note (b))	**–**	**–**
At 30 June 2014	**1,942**	**194**
At 1 July 2012	1,291	129
Exercise of share options (Note (a))	1	–
Issue of rights shares	646	65
Issue of scrip shares	1	–
At 30 June 2013	1,939	194

Notes:

(a) Exercise of share options

During the year, 3,260,000 (2013: 1,200,000) ordinary shares of HK$0.10 each were issued in respect of share options exercised under the 2009 Share Option Scheme (defined in note (c) below) at exercise prices in the range of HK$8.76 to HK$12.32 (2013: HK$8.76) each (representing a premium in the range of HK$8.66 to HK$12.22 (2013: HK$8.66) each).

(b) Issue of scrip shares

On 21 February 2014, the Directors declared an interim dividend of HK$0.03 per share for the six months ended 31 December 2013. The shareholders were provided with an option to receive the interim dividend in the form of new fully paid shares in lieu of cash. On 23 April 2014, 141,416 ordinary shares were issued in respect of the interim dividend.

(c) Share options

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). The 2001 Share Option Scheme was terminated on 10 December 2009, notwithstanding that the share options which were granted and remained outstanding and/or committed as of that date continued to follow the provisions of the 2001 Share Option Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company adopted a new share option scheme on 10 December 2009 (the "2009 Share Option Scheme").

Information on the Schemes

The following is a summary of the 2001 Share Option Scheme and the 2009 Share Option Scheme (collectively the "Schemes") disclosed in accordance with the Listing Rules.

Purpose of the Schemes

The Schemes are share incentive schemes and are established to recognize and acknowledge the contributions that eligible persons make or may make to the Group.

The Schemes provide eligible persons with an opportunity to have a personal stake in the Company with a view to:

(i) motivating eligible persons to optimize their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining ongoing business relationships with eligible persons whose contributions are or will be beneficial to the long term growth of the Group.

20. Share capital (continued)

Participants of the Schemes

The Board may at its discretion grant share options to:

(i) any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or

(ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or

(iii) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

Total number of shares available for issue under the Schemes and percentage of issued share capital as at 30 June 2014

The total number of shares available for issue upon exercise of all outstanding share options already granted under the Schemes is 65,805,000 shares (2001 Share Option Scheme: 7,795,000 shares and 2009 Share Option Scheme: 58,010,000 shares), representing 3.39% of the issued share capital of the Company as at 30 June 2014.

The maximum number of shares available for issue upon exercise of share options not yet granted under the Schemes is 45,512,693 shares (2001 Share Option Scheme: Nil and 2009 Share Option Scheme: 45,512,693 shares), representing 2.34% of the issued share capital of the Company as at 30 June 2014.

Maximum entitlement of each participant under the Schemes

The maximum entitlement of each participant under the Schemes shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force.

In accordance with the current Listing Rules, no share options may be granted to any eligible persons which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible person under the Schemes or any other schemes of the Company (including exercised, canceled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company at the date of such new grant. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules.

The period within which the shares must be taken up under a share option under the Schemes

A share option is exercisable, subject to certain restrictions contained in the Schemes and the terms on which the share option is granted at any time during the applicable share option period which may be determined by the Board but which shall in no event be more than 10 years from the date of grant of the share option.

The minimum period for which a share option must be held before it can be exercised under the Schemes

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the Schemes. At the time of granting a share option, however, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation thereto, including the minimum period for which the share option must be held and/or the performance targets to be achieved, additional to those expressly set forth in the Schemes as the Board may in its absolute discretion determine.

The amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid under the Schemes

There is no amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

The basis of determining the subscription price under the Schemes

The price per share at which a grantee may subscribe for shares upon the exercise of a share option is determined by the Board and shall not be less than the highest of:

(i) the closing price of the Company's shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the relevant share option, which must be a Business Day (as defined in the Listing Rules);

(ii) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant share option; and

(iii) the nominal value of the Company's shares.

The remaining life of the 2001 Share Option Scheme

On 10 December 2009, the shareholders approved at the annual general meeting of the Company the termination of the 2001 Share Option Scheme and no further share options may be granted to eligible person under the 2001 Share Option Scheme with effect thereof, save and except the share options which were committed prior to such date continued to follow the provisions of the 2001 Share Option Scheme and the Listing Rules.

Details of the share options movement during the year and outstanding share options as at 30 June 2014 under the 2001 Share Option Scheme are as follows:

	Number of share options	
	2014	2013
At 1 July	**12,957,000**	31,469,000
Lapsed during the year	**(2,050,000)**	(3,000,000)
Forfeited during the year	**(3,112,000)**	(15,512,000)
At 30 June (Note (i))	**7,795,000**	12,957,000

20. Share capital (continued)

The remaining life of the 2001 Share Option Scheme (continued)

(i) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK$	Number of share options outstanding as at 30 June 2014	2013
Employees and consultants			
4 December 2013 *	119.00	–	300,000
5 December 2013 *	118.70	–	675,000
31 January 2014 *	100.80	–	1,400,000
11 February 2014 *	102.12	–	150,000
9 December 2014 *	44.25	**225,000**	540,000
9 December 2014 **	44.25	–	105,000
11 December 2014 *	45.95	**940,000**	848,000
11 December 2014 **	45.95	–	204,000
5 February 2015 *	39.76	**970,000**	1,306,000
5 February 2015 **	39.76	–	314,000
9 February 2015 *	41.70	**150,000**	120,000
9 February 2015 **	41.70	–	30,000
9 December 2015 *	53.74	**736,000**	552,000
9 December 2015 **	53.74	**184,000**	368,000
11 December 2015 *	53.90	**564,000**	477,000
11 December 2015 **	53.90	**141,000**	306,000
4 February 2016 *	57.70	**480,000**	630,000
4 February 2016 **	57.70	**120,000**	420,000
5 February 2016 *	55.46	**240,000**	279,000
5 February 2016 **	55.46	**60,000**	156,000
9 December 2016 *	37.92	**414,000**	276,000
9 December 2016 **	37.92	**276,000**	414,000
13 December 2016 *	38.10	**423,000**	318,000
13 December 2016 **	38.10	**282,000**	459,000
11 February 2017 *	40.40	**180,000**	186,000
11 February 2017 **	40.40	**120,000**	234,000
9 December 2017 *	11.09	**276,000**	138,000
9 December 2017 **	11.09	**414,000**	552,000
Others			
11 February 2014*	102.12	–	600,000
9 February 2015 *	41.70	**600,000**	480,000
9 February 2015 **	41.70	–	120,000
		7,795,000	12,957,000

Notes:

* The share options listed above are vested as of the respective dates of the statement of financial position.

** The share options listed above are not vested as of the respective dates of the statement of financial position.

The remaining life of the 2009 Share Option Scheme

Share options may be granted to eligible persons under the 2009 Share Option Scheme for the period until 9 December 2019.

Details of the share options movement during the year and outstanding share options as at 30 June 2014 under the 2009 Share Option Scheme are as follows:

	Number of share options 2014	2013
At 1 July	**58,535,000**	34,455,000
Granted during the year (Note (i))	**15,360,000**	30,430,000
Exercised during the year (Note (ii))	**(3,260,000)**	(1,200,000)
Lapsed during the year	**(500,000)**	(175,000)
Forfeited during the year	**(12,125,000)**	(4,975,000)
At 30 June (Note (iii))	**58,010,000**	58,535,000

(i) Details of share options granted during the year ended 30 June 2014 are as follows:

Exercise period	Exercise price HK$	Number of share options
4 November 2016 – 3 November 2023#	**14.18**	**11,680,000**
4 November 2017 – 3 November 2023	**14.18**	**660,000**
4 November 2018 – 3 November 2023	**14.18**	**660,000**
21 March 2017 – 20 March 2024	**13.592**	**510,000**
21 March 2018 – 20 March 2024	**13.592**	**170,000**
21 March 2019 – 20 March 2024	**13.592**	**170,000**
30 June 2015 – 29 June 2024	**11.00**	**1,160,000**
30 June 2017 – 29 June 2024	**11.00**	**210,000**
30 June 2018 – 29 June 2024	**11.00**	**70,000**
30 June 2019 – 29 June 2024	**11.00**	**70,000**
		15,360,000

Note:

\# With effect from 14 January 2014, the vesting date of 100,000 share options was accelerated from 4 November 2016 to 31 January 2014 and the exercise period was changed from the period of 4 November 2016 to 3 November 2023 to the period of 31 January 2014 to 30 April 2014.

20. Share capital (continued)

The remaining life of the 2009 Share Option Scheme (continued)

(ii) Details of share options exercised during the year ended 30 June 2014 are as follows:

Exercise date	Exercise price HK$	Number of share options	Proceeds received: Share capital HK$'000	Proceeds received: Share premium HK$'000	Market value* per share at exercise date HK$
19 July 2013	8.76	750,000	75	6,495	12.02
28 March 2014	12.32	100,000	10	1,222	12.90
28 March 2014	10.04	500,000	50	4,970	12.90
17 April 2014	10.02	300,000	30	2,976	13.70
7 May 2014	10.04	300,000	30	2,982	12.38
13 May 2014	8.76	160,000	16	1,386	11.60
20 May 2014	10.02	360,000	36	3,571	11.42
28 May 2014	10.02	180,000	18	1,786	11.44
17 June 2014	8.76	450,000	45	3,897	11.32
18 June 2014	8.76	100,000	10	866	11.24
19 June 2014	10.02	60,000	6	595	11.06
		3,260,000	326	30,746	

* "Market value" represents the closing price of the share in Hong Kong on the exercise date or on the trading day immediately before the exercise date (if it is a non-trading day).

(iii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK$	Number of share options outstanding as at June 30: 2014	2013
Directors			
11 March 2023 **	10.04	7,300,000	7,300,000
4 November 2023 **	14.18	700,000	-
30 June 2024 **	11.00	1,160,000	-
Employees and consultants			
1 July 2014 * (Note 1)	11.40	1,200,000	-
1 July 2014 * (Note 2)	12.32	250,000	-
1 August 2014 * (Note 3)	8.76	190,000	-
19 April 2016 *	62.21	640,000	480,000
19 April 2016 **	62.21	160,000	320,000
2 July 2016 *	43.93	-	1,200,000
2 July 2016 **	43.93	-	1,800,000
4 October 2016 *	42.34	-	800,000
4 October 2016 **	42.34	-	1,200,000
11 February 2017 *	40.40	-	80,000
11 February 2017 **	40.40	-	120,000
19 April 2017 *	34.71	360,000	240,000
19 April 2017 **	34.71	240,000	360,000
16 September 2017 *	18.17	-	30,000
16 September 2017 **	18.17	-	120,000
10 May 2018 *	14.78	240,000	120,000
10 May 2018 **	14.78	360,000	480,000
12 December 2018 **	12.32	-	150,000
27 September 2020*	43.00	3,230,000	-
27 September 2020 **	43.00	-	3,780,000
17 May 2021*	30.90	600,000	-
17 May 2021 **	30.90	400,000	1,000,000
16 September 2021 **	18.17	1,000,000	1,000,000
27 September 2021 **	8.76	9,025,000	13,350,000
18 January 2022 **	11.40	-	1,200,000
6 March 2022 **	18.22	-	900,000
6 July 2022 **	10.02	-	900,000
12 December 2022 **	12.32	5,990,000	8,065,000
11 March 2023 **	10.04	11,940,000	13,540,000
4 November 2023**	14.18	11,825,000	-
21 March 2024**	13.592	850,000	-
30 June 2024**	11.00	350,000	-
		58,010,000	58,535,000

Notes:

* The share options listed above are vested as of the respective dates of the statement of financial position.

** The share options listed above are not vested as of the respective dates of the statement of financial position.

(1) With effect from 22 October 2013:

The vesting date of 720,000 share options was accelerated from 18 January 2015 to 31 October 2013 and the exercise period was changed from the period of 18 January 2015 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.

The vesting date of 240,000 share options was accelerated from 18 January 2016 to 31 October 2013 and the exercise period was changed from the period of 18 January 2016 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.

The vesting date of 240,000 share options was accelerated from 18 January 2017 to 31 October 2013 and the exercise period was changed from the period of 18 January 2017 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.

(2) With effect from 22 October 2013, the vesting date was accelerated from 12 December 2015 to 31 October 2013 and the exercise period was changed from the period of 12 December 2015 to 11 December 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.

(3) With effect from 7 April 2014, the vesting date was accelerated from 27 September 2014 to 1 May 2014 and the exercise period was changed from the period of 27 September 2014 to 26 September 2021 to the period of 1 May 2014 to 31 July 2014.

20. Share capital (continued)

Share option expenses charged to the consolidated income statement are based on valuations determined using the Binomial model. Share options granted during the year were valued based on the following assumptions:

Date of grant	Share option value[1] HK$	Share price at the date of grant[2] HK$	Exercise price HK$	Expected volatility[3]	Annual risk-free interest rate[4]	Life of share option[5]	Dividend yield[6]
The 2009 Share Option Scheme							
4 November 2013	5.04 – 6.19	14.18	14.18	53.04% – 55.85%	0.76% – 1.25%	4 – 6 years	2.74%
21 March 2014	4.77 – 5.87	13.08	13.592	51.65% – 54.29%	1.26% – 1.76%	4 – 6 years	1.76%
30 June 2014	2.44 – 5.00	11.00	11.00	42.50% – 54.11%	0.49% – 1.60%	2 – 6 years	1.76%

1. Since the share option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.
2. The share price at the date of grant disclosed is the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant share option; where the date of grant of the relevant share option did not fall on a Business Day (as defined in the Listing Rules), the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet immediately preceding the date of grant was disclosed.
3. As stated in IFRS 2, the issuer can use either i) implied volatilities obtained from market information; or ii) historical volatilities as expected volatility input to the Binomial option pricing model. For share options granted under the 2009 Share Option Scheme, Esprit has estimated volatility based on the historical stock prices over the period corresponding to the expected life preceding the date of grant, expressed as an annualized rate and based on daily price changes.
4. The risk-free interest rate was based on the market yield of Hong Kong Exchange Fund notes with a remaining life corresponding to the expected share option life.
5. The expected share option life was determined by reference to historical data of share option holders' behavior.
6. For share options granted under the 2009 Share Option Scheme, dividend yield was based on the average dividend yield (including special dividend) for the three years preceding the year of grant.

21. Creditors and accrued charges

	2014 HK$ million	2013 HK$ million
Trade creditors	**1,480**	1,122
Accruals	**1,798**	1,984
Other creditors and payables	**842**	845
	4,120	3,951

The aging analysis by due date of trade creditors is as follows:

	2014 HK$ million	2013 HK$ million
0-30 days	**1,424**	1,084
31-60 days	**31**	12
61-90 days	**7**	7
Over 90 days	**18**	19
	1,480	1,122

The carrying amounts of creditors and accrued charges approximate their fair values.

22. Provision for store closures and leases

Movements in provision for store closures and leases are as follows:

	2014 HK$ million	2013 HK$ million
At 1 July	**591**	446
Additional provision for store closures and leases	**106**	426
Amounts used during the year	**(215)**	(294)
Exchange translation	**26**	13
At 30 June	**508**	591

The provision for store closures and leases was made in connection with store closures and provision for onerous lease contracts for loss-making stores.

As at 30 June 2014, the provision expected to be settled within twelve months after the date of the statement of financial position is **HK$203** million (2013: HK$298 million) and the provision expected to be settled more than twelve months after the date of the statement of financial position is **HK$305 million** (2013: HK$293 million).

23. Bank loans

At 30 June 2014, the Group's bank loans were payable as follows:

	2014 HK$ million	2013 HK$ million
Unsecured long-term bank loans repayable within one year	**260**	520

At 30 June 2014, the carrying amount of the total borrowings of **HK$260 million** (2013: HK$520 million) is denominated in Hong Kong dollar at floating rate.

The carrying amount of bank loans approximates their fair value.

The bank loans are unsecured. The effective interest rate on bank loans for the year was determined to be **1.0%** (2013: 1.5%) per annum.

24. Deferred taxation

The following are the deferred tax assets/(liabilities) recognized and movements thereon during the year:

The Group:

	Accelerated Accounting/ tax depreciation HK$ million	Elimination of unrealized profits HK$ million	Intangible assets HK$ million	Tax losses HK$ million	Withholding tax on undistributed earnings HK$ million	Other deferred tax assets HK$ million	Other deferred tax liabilities HK$ million	Total HK$ million
At 1 July 2012	100	152	(365)	77	(386)	211	(15)	(226)
(Charged)/credited to income statement	39	(79)	16	133	(8)	49	(19)	131
Changes in tax rates	–	–	(5)	(1)	–	–	–	(6)
Exchange difference recognized in equity	2	7	(8)	5	–	3	(2)	7
At 30 June 2013	**141**	**80**	**(362)**	**214**	**(394)**	**263**	**(36)**	**(94)**
(Charged)/credited to income statement	**(26)**	**(52)**	**15**	**1**	**158**	**(22)**	**(41)**	**33**
Changes in tax rates	**(2)**	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(4)**
Exchange difference recognized in equity	**6**	**(1)**	**(3)**	**13**	**–**	**7**	**(2)**	**20**
At 30 June 2014	**119**	**27**	**(350)**	**227**	**(236)**	**247**	**(79)**	**(45)**

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2014 HK$ million	2013 HK$ million
Deferred tax assets	**615**	697
Deferred tax liabilities	**660**	791

At 30 June 2014, the Group had unused tax losses of approximately **HK$1,937 million** (2013: HK$1,720 million) available for offset against future taxable profits. A deferred tax asset has been recognized in respect of approximately **HK$893 million** (2013: HK$792 million) of such losses. No deferred tax asset has been recognized in respect of the remaining losses of approximately **HK$1,044 million** (2013: HK$928 million). Included in unrecognized tax losses are losses of approximately **HK$160 million** (2013: HK$45 million) that will expire in the next one to twenty years. Other losses may be carried forward indefinitely.

Deferred income tax liabilities of **HK$28 million** (2013: HK$9 million) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

25. Notes to consolidated statement of cash flows

Reconciliation of profit/(loss) before taxation to cash generated from/(used in) operations:

	2014 HK$ million	2013 HK$ million
Profit/(loss) before taxation	**379**	(4,149)
Adjustments for:		
Interest income	**(55)**	(51)
Finance costs	**37**	30
Depreciation	**833**	866
Impairment of property, plant and equipment	**80**	346
Impairment of goodwill	**–**	1,996
Loss on disposal of property, plant and equipment	**5**	24
Additional provision for store closures and leases	**106**	426
Increase in fair value of investment properties	**(1)**	(2)
Employee share option benefits	**46**	7
Amortization of customer relationships	**66**	64
	1,496	(443)
Changes in working capital:		
(Increase)/decrease in inventories	**(45)**	384
Decrease in debtors, deposits and prepayments	**567**	131
Decrease in creditors and accrued charges	**(46)**	(645)
Effect of foreign exchange rate changes	**34**	156
Cash generated from/(used in) operations	**2,006**	(417)

25. Notes to consolidated statement of cash flows (continued)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprised:

	2014 HK$ million	2013 HK$ million
Net book value	**21**	29
Loss on disposal of property, plant and equipment	**(5)**	(24)
Proceeds from disposal of property, plant and equipment	**16**	5

26. Operating lease commitments

The total future minimum lease payments under non-cancelable operating leases are as follows:

	2014 HK$ million	2013 HK$ million
Land and buildings		
– within one year	**2,408**	2,396
– in the second to fifth year inclusive	**6,843**	7,005
– after the fifth year	**2,827**	3,604
	12,078	13,005
Other equipment		
– within one year	**17**	21
– in the second to fifth year inclusive	**14**	15
	31	36
	12,109	13,041

The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 30 June 2014 are **HK$173 million** (2013: HK$195 million).

27. Capital commitments

	2014 HK$ million	2013 HK$ million
Property, plant and equipment		
– Contracted but not provided for	**68**	121
– Authorized but not contracted for	**453**	749
	521	870

28. Derivative financial instruments

The Group enters into forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At 30 June 2014, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as follows:

	2014		2013	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Forward foreign exchange contracts				
Cash flow hedges	**1**	**10**	157	48

The fair values of the forward foreign exchange contracts have been determined by using observable forward exchange rates from market for equivalent instruments at the date of the statement of financial position.

The following table presents the carrying value of derivative financial instruments measured at fair value according to the levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement", with the fair value of each asset and liability categorized based on the lowest level of input that is significant to that fair value measurement.

	For the year ended 30 June 2014			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	1	-	1
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	10	-	10

During the year, there were no transfers between Level 1 and Level 2.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

28. Derivative financial instruments (continued)

At the date of the statement of financial position, the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed is as follows:

	2014 HK$ million	2013 HK$ million
Forward foreign exchange contracts	**1,934**	4,190

Gains and losses in equity on forward foreign exchange contracts as of 30 June 2014 will be released to the consolidated income statement at various dates between one month to one year from the date of the statement of financial position, to match the recognition of the hedged items in the consolidated income statement.

The ineffective portion recognized in the consolidated income statement that arises from cash flow hedges amounts to a gain of **HK$42 million** (2013: gain of HK$1 million).

29. Related party transactions

Other than the above and the key management compensation as set out in note 13, the Group had no material related party transactions during the year.

30. Notes to the statement of financial position of the Company

(a) The amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The credit quality of the amounts due from subsidiaries can be assessed by reference to historical information about counterparties default rates. None of them have defaults or have been renegotiated in the past.

(b) Movements of reserves are as follows:

	Share premium HK$ million	Contributed surplus HK$ million	Employee share-based payment reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2013	**8,160**	**474**	**739**	**2,242**	**11,615**
Loss attributable to shareholders	**–**	**–**	**–**	**(46)**	**(46)**
Issue of shares	**31**	**–**	**–**	**–**	**31**
Employee share option benefits	**–**	**–**	**46**	**–**	**46**
2013/14 interim dividend paid (Note 10)	**2**	**–**	**–**	**(58)**	**(56)**
Transfer of reserve upon exercise of share options	**11**	**-**	**(11)**	**-**	**-**
At 30 June 2014	**8,204**	**474**	**774**	**2,138**	**11,590**
Representing:					
Proposed final dividend					**78**
Balance after proposed final dividend					**11,512**
At 30 June 2014					**11,590**
At 1 July 2012	3,167	474	732	2,593	6,966
Loss attributable to shareholders	–	–	–	(60)	(60)
Issue of rights shares	4,972	–	–	–	4,972
Issue of shares	11	–	–	–	11
Employee share option benefits	–	–	7	–	7
2011/12 final dividend paid	10	–	–	(291)	(281)
At 30 June 2013	8,160	474	739	2,242	11,615
Representing:					
Proposed final dividend					–
Balance after proposed final dividend					11,615
At 30 June 2013					11,615

30. Notes to the statement of financial position of the Company (continued)

(b) Movements of reserves are as follows: (continued)

The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company arising from the Group reorganization which became effective on 17 November 1993 and the excess of the value of the shares acquired over the nominal value of the shares issued for the acquisition of Esprit Far East Limited and its subsidiaries on 10 January 1997.

Contributed surplus is available for distribution to shareholders under the laws of Bermuda. Distributable reserves of the Company at 30 June 2014 amounted to **HK$3,386 million** (2013: HK$3,455 million).

(c) All of the Company's financial liabilities as at 30 June 2014 and 30 June 2013 have a maturity less than 1 year.

(d) The Company did not have any operating lease commitment at 30 June 2014 (2013: nil).

(e) The Company did not have any significant capital commitment at 30 June 2014 (2013: nil).

(f) The Company provided a guarantee of **HK$260 million** (2013: HK$520 million) in respect of bank loans to a subsidiary at 30 June 2014. The guarantee is callable upon the subsidiary's defaults in repayment of the bank loans.

(g) The amounts due from subsidiaries together with the guarantee provided to a subsidiary in respect of bank loans represented the amount of maximum exposure to credit risk of the Company.

(h) The Company has provided a corporate guarantee of **HK$1,700 million** (2013: HK$1,700 million) in favor of a bank to support the banking facilities granted to its subsidiaries.

31. Principal subsidiaries

The following are the principal subsidiaries as at 30 June 2014 which, in the opinion of the Directors, principally affect the results and net operating assets of the Group. To give details of other subsidiaries would in the opinion of the Directors result in particulars of excessive length. None of the subsidiaries had issued any debt securities at the end of the year.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Belgie Retail N.V.	Belgium	100%	EUR1,200,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	EUR100,000	Wholesale distribution of apparel and accessories
Esprit Capital Limited	British Virgin Islands/ Hong Kong	100%	USD1	Investment
Esprit Card Services GmbH	Germany	100%	EUR25,000	Issuance, accounting of and service in connection with GiftCard, as provided for Esprit group and distribution partners in Europe
Esprit China Distribution Limited	British Virgin Islands/ Hong Kong	100%	USD100	Investment holding
Esprit Corporate Services Limited	British Virgin Islands/ Hong Kong	100%	USD100	Financial services
Esprit de Corp Danmark A/S	Denmark	100%	DKK12,000,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Far East) Limited	Hong Kong	100%	HKD1,200,000	Sourcing of apparel and accessories
Esprit de Corp. France SAS	France	100%	EUR63,373,350	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Malaysia) Sdn. Bhd.	Malaysia	100%	MYR5,000,000	Retail distribution of apparel and accessories

31. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit de Corp. (Spain) S.L.	Spain	100%	EUR10,000	Wholesale distribution of apparel and accessories
Esprit Design & Product Development GmbH	Germany	100%	EUR100,000	Provision of services to the worldwide Esprit group in relation to the development of designs, styles and prototypes for the sales line of Esprit products
Esprit Europe B.V.	The Netherlands	100%	EUR1,500,000	Investment holding, wholesale and retail distribution of apparel and accessories, and licensing of trademarks
Esprit Europe GmbH	Germany	100%	EUR5,112,919	Management and control function; render of services to Esprit group
Esprit Europe Services GmbH	Germany	100%	EUR2,700,000	Sourcing, purchase and sale of merchandise, distribution of merchandise and other logistic functions, including customs dealing and quality control
Esprit GB Limited	United Kingdom	100%	GBP150,001	Wholesale and retail distribution of apparel and accessories
Esprit Global Image GmbH	Germany	100%	EUR25,000	Design and image directions; conceptualization and development of global uniform image; conceptualization and development of global image direction within product development
Esprit Global Limited	British Virgin Islands/ Hong Kong	100%	USD500	Investment holding
Esprit Handelsgesellschaft mbH	Austria	100%	EUR100,000	Wholesale and retail distribution of apparel and accessories
Esprit (Hong Kong) Limited	Hong Kong	100%	HKD1	Management and control function; render of services to Esprit group
Esprit International (limited partnership)	United States	100%	N/A	Holding and licensing of trademarks
Esprit International (GP) Inc.	United States	100%	USD1,000	General partner of Esprit International (limited partnership)
Esprit IP Limited	British Virgin Islands/ Hong Kong	100%	USD1	Holding and licensing of trademarks
Esprit Ireland Distribution Ltd.	Republic of Ireland	100%	EUR1	Wholesale distribution of apparel and accessories
Esprit Italy Distribution S.R.L.	Italy	100%	EUR12,750	Wholesale distribution of apparel and accessories

31. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Luxembourg S.à r.l.	Luxembourg	100%	EUR250,000	Retail distribution of apparel and accessories
Esprit Macao Commercial Offshore Limited	Macau	100%	MOP3,000,000	Wholesale distribution of apparel and accessories
Esprit (Norway) A/S	Norway	100%	NOK16,000,000	Wholesale and retail distribution of apparel and accessories
Esprit Property Limited	Hong Kong	100%	HKD2	Investment holding
Esprit Regional Services Limited	British Virgin Islands/ Hong Kong	100%	USD1	Provision of services
Esprit Retail B.V. & Co. KG (limited partnership)	Germany	100%	EUR5,000,000	Retail distribution of apparel and accessories
Esprit Retail (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of apparel and accessories
Esprit (Retail) Proprietary Limited	Australia	100%	AUD200,000	Wholesale and retail distribution of apparel and accessories
Esprit Retail Pte Ltd	Singapore	100%	SGD3,000,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD9,000	Retail distribution of apparel and accessories
Esprit Sweden AB	Sweden	100%	SEK500,000	Wholesale distribution of apparel and accessories
Esprit Swiss Treasury Limited	British Virgin Islands/ Hong Kong	100%	USD1	Financial services
Esprit Switzerland Distribution AG	Switzerland	100%	CHF100,000	Wholesale distribution of apparel and accessories
Esprit Switzerland Retail AG	Switzerland	100%	CHF500,000	Retail distribution of apparel and accessories
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
EFE (Investments-II) S.à r.l.	Luxembourg	100%	EUR16,101	Management of European group subsidiaries and investment holding
ESP Clothing Finland OY	Finland	100%	EUR2,500	Agency services
Garment, Acessories and Cosmetics Esprit Retail (Macau) Limited	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Glory Raise Limited	British Virgin Islands	100%	USD1	Investment holding
Million Success Resources Limited	Hong Kong	100%	HKD2	Investment holding

31. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Sijun Fashion (Shenzhen) Co., Ltd.	The People's Republic of China (Note c)	100%	USD1,600,000	Sample development
Solution Services Limited	British Virgin Islands	100%	USD1	Property investment
思環貿易(上海)有限公司	The People's Republic of China (Note c)	100%	USD28,000,000	Wholesale distribution of apparel and accessories
普思埃商業(上海)有限公司	The People's Republic of China (Note c)	100%	USD7,900,000	Retail distribution of apparel and accessories
創捷商業(上海)有限公司	The People's Republic of China (Note c)	100%	USD1,800,000	Retail distribution of apparel and accessories
成都潤捷商業有限公司	The People's Republic of China (Note c)	100%	USD1,200,000	Retail distribution of apparel and accessories
創和捷商貿(北京)有限公司	The People's Republic of China (Note c)	100%	USD5,000,000	Retail distribution of apparel and accessories
特力普思埃貿易(大連)有限公司	The People's Republic of China (Note c)	100%	USD800,000	Retail distribution of apparel and accessories
廣州特力普思埃商業有限公司	The People's Republic of China (Note c)	100%	USD2,500,000	Retail distribution of apparel and accessories
上海進捷商貿有限公司	The People's Republic of China (Note c)	100%	USD1,000,000	Wholesale distribution of apparel and accessories
重慶埃斯普利特商業有限公司	The People's Republic of China (Note c)	100%	USD1,200,000	Retail distribution of apparel and accessories
捷煦電子商務(上海)有限公司	The People's Republic of China (Note c)	100%	USD1,500,000	Retail distribution of apparel and accessories via e-commerce

Notes:

(a) All subsidiaries were held indirectly by the Company, except Esprit Global Limited.

(b) All are ordinary share capital unless otherwise stated.

(c) Wholly foreign owned enterprise.

08
TEN-YEAR FINANCIAL SUMMARY

Consolidated statement of financial position items

	As at 30 June 2014 HK$ million	As at 30 June 2013 HK$ million	As at 30 June 2012 HK$ million	As at 30 June 2011 HK$ million
Intangible assets	**5,670**	5,763	7,613	7,672
Property, plant and equipment	**3,972**	4,363	4,489	4,415
Investment properties	**16**	15	13	13
Other investments	**7**	7	7	8
Investments in associates	**–**	–	–	–
Debtors, deposits and prepayments	**312**	384	402	502
Deferred tax assets	**615**	697	549	808
Net current assets	**6,979**	6,158	4,348	5,225
	17,571	17,387	17,421	18,643
Equity				
Share capital	**194**	194	129	129
Reserves	**16,717**	16,402	15,477	16,104
Total equity	**16,911**	16,596	15,606	16,233
Non-current liabilities				
Bank loans	**–**	–	1,040	1,560
Deferred tax liabilities	**660**	791	775	850
	660	791	1,815	2,410
	17,571	17,387	17,421	18,643

Consolidated income statement items

	Year ended 30 June 2014 HK$ million	Year ended 30 June 2013 HK$ million	Year ended 30 June 2012 HK$ million	Year ended 30 June 2011 HK$ million
Turnover	**24,227**	25,902	30,165	33,767
Operating profit/(loss) (EBIT/(LBIT))	**361**	(4,170)	1,171	692
Interest income	**55**	51	28	45
Finance costs	**(37)**	(30)	(37)	(27)
Share of results of associates	**–**	–	–	–
Gain on measuring equity interest in the associated companies held before the business combination	**–**	–	–	–
Profit/(loss) before taxation	**379**	(4,149)	1,162	710
Taxation	**(169)**	(239)	(289)	(631)
Profit/(loss) attributable to shareholders of the Company	**210**	(4,388)	873	79

	As at 30 June 2010 HK$ million	As at 30 June 2009 HK$ million	As at 30 June 2008 HK$ million	As at 30 June 2007 HK$ million	As at 30 June 2006 HK$ million	As at 30 June 2005 HK$ million
	7,345	2,061	2,121	2,057	2,027	2,009
	3,976	4,398	3,570	2,705	2,614	2,242
	12	–	–	–	–	–
	7	7	7	7	8	8
	–	522	583	406	269	182
	440	559	569	–	–	–
	532	408	510	396	315	205
	6,662	6,745	8,972	6,888	4,232	2,723
	18,974	14,700	16,332	12,459	9,465	7,369
	129	125	124	123	122	120
	15,943	14,284	15,820	11,958	8,985	6,919
	16,072	14,409	15,944	12,081	9,107	7,039
	2,080	–	–	–	–	–
	822	291	388	378	358	330
	2,902	291	388	378	358	330
	18,974	14,700	16,332	12,459	9,465	7,369

	Year ended 30 June 2010 HK$ million	Year ended 30 June 2009 HK$ million	Year ended 30 June 2008 HK$ million	Year ended 30 June 2007 HK$ million	Year ended 30 June 2006 HK$ million	Year ended 30 June 2005 HK$ million
	33,734	34,485	37,227	29,640	23,349	20,632
	3,786	5,729	7,721	6,259	4,765	4,075
	33	87	190	149	37	22
	(12)	–	–	–	(1)	(2)
	81	161	145	130	84	73
	1,586	–	–	–	–	–
	5,474	5,977	8,056	6,538	4,885	4,168
	(1,248)	(1,232)	(1,606)	(1,358)	(1,148)	(957)
	4,226	4,745	6,450	5,180	3,737	3,211

Financial Summary

Year ended 30 June	2014	2013	2012	2011
Per share data (HK$)				
Earnings/(loss) per share – basic^^	**0.11**	(2.50)	0.60	0.06
Dividend per share				
– Regular dividend	**0.07**	–	0.41	1.00
– Special dividend	**–**	–	–	–
Total	**0.07**	–	0.41	1.00
Key statistics (HK$ million)				
Total equity	**16,911**	16,596	15,606	16,233
Net current assets^	**6,979**	6,158	4,348	5,225
Cash position (net of overdraft)	**6,031**	5,171	3,171	4,794
Net cash inflow/(outflow) from operating activities	**1,418**	(757)	730	1,835
Term loans	**260**	520	1,682	2,080
Retail data				
Number of directly managed stores#	**905**	1,026	1,069	1,146
Directly managed selling space#(sqm)	**330,233**	351,473	363,295	398,829
Comparable store sales growth	**-4.1%**	-3.3%	-4.1%	-1.1%
Wholesale data				
Number of controlled-space POS#^^^	**8,131**	9,249	10,827	11,706
Controlled-space sales area#^^^(sqm)	**488,870**	566,776	654,093	704,393
Other data				
Capital expenditure (HK$ million)	**375**	919	1,420	1,436
Number of employees##	**9,626**	10,732	12,455	14,192
Key ratios				
Return on shareholders' equity (ROE)###	**1.3%**	-27.3%	5.5%	0.5%
Return on total assets (ROA)*	**0.9%**	-18.7%	3.4%	0.3%
Net debt to equity**	**net cash**	net cash	net cash	net cash
Current ratio^ (times)	**2.2**	2.1	1.7	1.6
Inventory turnover***(days)	**90**	100	100	76
Operating profit/(loss) before depreciation and amortization margin	**5.2%**	-12.5%	6.4%	4.7%
Operating profit/(loss) margin	**1.5%**	-16.1%	3.9%	2.0%
Profit/(loss) before taxation margin	**1.6%**	-16.0%	3.9%	2.1%
Net profit/(loss) margin	**0.9%**	-16.9%	2.9%	0.2%

\# Include Esprit, Red Earth stores and salon
\## After converting the part-time positions into full-time positions based on working hours
\### Calculated based on net earnings as a percentage of average shareholders' equity
* Calculated based on net earnings as a percentage of average total assets
** Net debt refers to all interest bearing borrowings less cash and cash equivalents
*** Calculated as average inventory (excluding consumables) over cost of goods sold for the year
^ Comparative figures relating to net current assets in respect of financial years prior to FY09/10 were restated as a result of the adoption of IAS 17 (Amendments) and due to the reclassification of deposits and prepayments in FY09/10
^^ Earnings per share - basic for the year ended 30 June 2012 was adjusted in FY12/13 to reflect the effect of a rights issue of the Company
Earnings per share - basic for the year ended 30 June 2009 was restated in FY09/10 to account for approximately 31 million scrip shares issued on 15 January 2010. The basic earnings per share was restated as the scrip shares were treated as if the issue had occurred as at 1 July 2008
^^^ With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space as at 30 June 2010 in FY10/11

2010	2009	2008	2007	2006	2005
3.35	3.72	5.21	4.22	3.09	2.68
1.41	1.52	2.10	1.70	1.23	1.11
–	1.33	2.10	1.48	1.08	0.84
1.41	2.85	4.20	3.18	2.31	1.95
16,072	14,409	15,944	12,081	9,107	7,039
6,662	6,745	8,972	6,888	4,232	2,723
6,748	4,840	6,521	5,232	2,469	1,729
5,412	5,272	5,970	5,881	3,428	2,718
2,600	–	–	–	250	–
1,128	804	700	607	671	634
388,291	314,966	273,801	239,400	225,693	195,042
-2.4%	3.5%	6.9%	19.8%	9.0%	8.5%
12,289	14,067	14,590	13,369	11,459	9,751
722,825	808,605	746,655	629,967	525,090	443,321
1,509	2,011	1,352	615	838	1,236
14,172	10,766	10,541	9,617	8,400	7,720
27.7%	31.3%	46.0%	48.9%	46.3%	51.6%
19.1%	22.8%	33.1%	34.7%	32.7%	34.8%
net cash	net cash	net cash	net cash	net cash	net cash
2.2	2.4	2.6	2.5	2.2	2.0
63	65	54	55	54	47
14.0%	18.9%	22.8%	23.1%	22.7%	21.9%
11.2%	16.6%	20.7%	21.1%	20.4%	19.8%
16.2%	17.3%	21.6%	22.1%	20.9%	20.2%
12.5%	13.8%	17.3%	17.5%	16.0%	15.6%

09
GLOSSARY OF TERMS

09 Glossary of terms

A

ADR
American Depositary Receipts

C

Capex
Capital expenditure

Comparable store (comp-store)
A directly managed retail store in existence on 1 July of the previous financial year and is still in operation at the reporting period end date and
a. its net sales area has been changed by 10% or less within that period; or
b. its cumulative renovated area within the same financial year is 20% or less (regardless of any net sales area change)

Comp-store sales growth
Local currency year-on-year change in sales generated by comparable stores

Concession stores
Retail stores situated in big department stores. Offer selective range of product divisions

Controlled wholesale space
POS which Esprit wholesale management team has control over the look and feel such as Esprit brand name logo, merchandizing display, etc. Includes partnership stores, shop-in-stores and identity corners with wholesale customers

Cruise Collections
A cruise collection is an inter-season or pre-season line produced to bridge the major seasonal collections (Spring/Summer and Fall/Winter)

D

Directly managed retail stores
Stores, concessions and outlets fully managed by Esprit

E

e-shop
On-line store

EBIT/LBIT
Earnings before interest and tax/loss before interest and tax

EPS
Earnings per share

F

Franchise stores
Stand-alone stores or concession stores located in department stores managed by wholesale customers which closely resemble our own directly managed retail stores. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores

I

Identity corners
Controlled wholesale space mainly in multi-label retailers offering a limited range of Esprit products. Esprit has limited involvement in store appearance

L

LCY
Local currency

O

Opex
Operating expenses

Outlet stores
Situated in the vicinity of major markets. Offer prior season products at a more competitive price and product collection exclusively made for outlets

P

Partnership stores
Same as Franchise stores

POS
Point-of-sales

R

Retail sales
Direct sale of merchandise to end consumers via directly managed retail stores or e-shop

S

Segment EBIT margin
Segment earnings before interest income, finance costs and taxation divided by the segment turnover

Shop-in-stores
Controlled wholesale space in department stores managed by wholesale customers. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores

Sqm
square meters

W

Wholesale sales
Sale of merchandise to third party wholesale customers

MIX
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